

CORPORATE POLICY <u>EMPLOYEE CONFLICTS OF INTEREST</u>	NO. CP 7-3	REV. C	PAGE 1 of 8
	DATE 6/7/92	APPROVED W. J. Zable	

I. PURPOSE & SCOPE

Cubic Corporation, its divisions and subsidiaries (herein collectively referred to as the Company) respects the right of its employees to engage in any activities and maintain any relationships outside their employment as long as such activities or relationships do not create a material conflict of interest with the employee's responsibilities to the Company. Those responsibilities include the duties of loyalty, acceptable performance and reasonable conduct.

II. POLICY

- A. No employee may have a financial interest in outside businesses, engage in other activities or associations, hold outside positions or engage in outside relationships which materially conflict with his or her duties to the Company, or which do, or could reasonably appear to adversely and materially affect the Company, or which violate the special rules or prohibitions set forth in this policy.
- B. An employee shall be responsible for requesting a determination on any activities or associations engaged in by the employee, which might be in material conflict with his/her duties to the Company. Determination of what financial interests or other acts or associations are material or which violate the special rules or prohibitions and constitute a conflict of interest shall be the sole prerogative of the Company and that determination is final. Employees shall be bound by such determination and shall take whatever action is directed by the Company to correct the conflict or be subject to such disciplinary action as the Company deems appropriate.

III. REFERENCES

United States Code 10 U.S.C. 2397B - DOD FAR SUP 52.203-7002
Compensation prohibitions relating to certain former Dept. of Defense employees.

IV. FORMS USED

CF 7-37 Conflict of Interest Agreement
CF 7-37/1 Request for Waiver to Conflict of Interest Agreement
CF 7-37/2 Attachment to Request for Waiver to Conflict of Interest Agreement
CF 7-37/3 Limited Grant of Waiver to Conflict of Interest Agreement

V. DEFINITIONS

- A. "Employees" include all Directors, Officers, and employees of the Company.
- B. "Conflict of Interest" includes any acts, omissions, financial interest or other outside interests, associations or activities by an employee which do or reasonably could materially conflict with his or her duties to the Company, or which do or reasonably appear to materially and adversely affect the Company or which violate the special rules or prohibitions of this Policy.

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VI DEFINITIONS (cont'd)

- C. "Financial Interest" means any investment whether active or passive, or other direct or indirect financial interest of any kind in, or employment by, a business (as an employee, agent or in any other capacity) whether the business is formed or in existence at the time an individual is employed by the Company or thereafter while employed and whether or not such business is, or becomes, a customer, supplier or competitor of the Company. This includes investments and financial interests not only of the employee but the employee's immediate family, or of others where the employee has a beneficial interest.
- D. "Other Conflicts" means personal participation in, or association with, other activities by an employee, which participation or association could or does materially and adversely affect the company, or adversely affects the employee's performance of his/her duties and obligations at, or for, the Company.
- E. "Passive Investment" means any investment in which the employee's participation is limited solely to the investment of funds for a return on investment and involves no employment or active participation in any capacity in policy, development or operation of the business activity in which the investment is made.

VI. PERMISSIBLE ACTIVITIES

- A. The following are applicable to all employees except as an employee may be further subject to the special rules of this policy.
 - 1. Normal and usual personal investment activities of an employee are not considered a conflict of interest, provided such investments are not material passive investments, or other financial interests in a customer's, supplier's or competitor's business; do not constitute other material conflicts with the employee's duties to the Company; and do not violate the special rules on prohibitions set out elsewhere in this Policy.
 - 2. Passive investment in a customer's, supplier's or competitor's business is considered nonmaterial if the investment is:
 - a. Ten percent or less of the outstanding stock of a statutory "close" or a closely-held, privately-owned corporation; or
 - b. Ten percent or less of any other closely-held, privately-owned, noncorporate business entity (partnership, joint venture, etc.); or
 - c. Does not make an employee a controlling person or a member of a controlling group of a corporation, publicly traded on a recognized United States or foreign stock exchange, and provided such passive investment does not involve other conflicts with the employee's duties to the Company nor violate the special rules or prohibitions set out elsewhere in this Policy.

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VI. PERMISSIBLE ACTIVITIES cont'd

3. Passive investment of any amount or financial interest in businesses other than a customer, supplier or competitor is permissible provided such investments do not conflict with the employee's duties to the Company nor violate the special rules or prohibitions set out elsewhere in this Policy.
4. All other activities and associations of an employee are permissible provided they do not violate the employee's duties to the Company, actually or apparently materially and adversely affect the Company, nor violate the special rules or prohibitions set out elsewhere in this Policy.

VII. SPECIAL RULES

- A. Employee Contact with Other Firms - Notwithstanding any statement in this Policy to the contrary, employees whose position includes the direct transaction of company business with other firms, which are suppliers or customers or who are in a position to directly influence Company business transactions, will not:
 1. Accept from suppliers or customers any payment, compensation, loan, financial favor, entertainment beyond commonly accepted business practices, or gifts other than inexpensive advertising items.
 2. Have any financial interest in the business of any supplier or customer of the Company, other than non-material passive investments in publicly owned corporations whose stock is traded on a recognized stock exchange.
- B. Retired Officers and Former Government Employees - Employees who are retired armed forces officers or former Government employees are personally responsible for compliance with laws and regulations which impose restrictions on their activities. It is the Company's policy to only hire retired officers and former Government employees in accordance with applicable state and federal law.
- C. Compensation Prohibition for Former DOD Employees and Company Reporting Requirements - The United States Code (10 U.S.C. 2397 b and 2397 c) and Federal Acquisition Regulations (DOD FAR SUP 52.203-7002; 48 CFR Chapter 2) prohibit the Company from offering or providing any compensation valued in excess of \$250 to certain former Department of Defense officials who, while employed by DOD, performed certain procurement related functions in connection with the Company and require that the Company file reports for years in which the Company was awarded one or more DOD contracts aggregating \$10,000,000 or more. Severe penalties are involved.
 1. Before an offer is made to any prospective employee, the Human Resources Department shall ascertain whether any possibility exists that the above statute and regulations may be applicable in any way. If such possibility exists, Human Resources will immediately contact Corporate General Counsel for guidance and advice regarding any further communications with the prospective employee.

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VII. SPECIAL RULES cont'd

2. The Human Resources Department shall submit to the General Counsel by March 1 of each calendar year the report required by the above statute and regulations for review and transmittal by the General Counsel on or before April 1 to the Office of the Assistant General Counsel (Legal Counsel), Standards of Conduct Office, Attn: OAGC/cc, Pentagon, Washington, D.C. 20301-1600.

VIII. PROHIBITED ACTIVITIES - All employees.

A. Competitors - No employee shall:

1. Have any financial interest in the business of any competitor of the Company, other than nonmaterial passive investments in publicly owned corporations traded on a recognized stock exchange.
2. Render compensated or non-compensated services for any competitor of the Company.

B. Disclosures - No employee shall disclose any Company proprietary information to any person or entity unless the person or entity is a supplier or customer of the Company and such information would be disclosed in the normal course of business with any supplier or customer, or the disclosure has been approved by the appropriate management.

C. Investments - Employees will not use knowledge of the Company's plans and activities as an opportunity for personal investment or advantage. For example, trading in securities of the company or its customers or suppliers based upon information which has not been publicly disclosed, is illegal and represents a conflict of interest.

D. Other Activities & Associations Outside the Company - The Company respects the rights of employees to engage in activities outside their employment; however, such activities shall not create other material conflicts. Such prohibited activities and associations include, but are not limited to, activities and associations:

1. Involving the employee's participation to the extent that the employee's work at the Company is adversely affected.
2. Acts or omissions, activities or associations by an employee which appear to identify the Company as a participant or sponsor, or as approving such act, omission activity or association, whether or not such acts, omissions activities or associations could be deemed by investors, the general public, or others to be detrimental to the Company.

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IX. ACTION & DETERMINATION

- A. Preventive and Corrective Action - Action taken by the Company will depend upon the circumstances of each individual activity which may constitute an actual or possible violation, but normally one of the following will occur:
1. Company will gather the facts and make a determination if a violation either has occurred or there is a reason to believe that a proposed activity will result in a violation.
 2. If not, Company shall notify the employee that the activity is not considered to be a conflict of interest by granting a written waiver to the employee, together with any conditions required for the employee to continue such activity.
 3. If a violation is found to have occurred or if it is determined that a violation will occur if the described activity is initiated or continued:
 - a. The Company will require employee to temporarily or permanently refrain from the activity deemed to be a conflict of interest and will take all other action which may be reasonable and necessary to see that the conflicting activity is not initiated, repeated, or continued; or
 - b. The Company will make special arrangements which will permit the employee to initiate or continue the activity.
- B. Determination - Notice to the Company of activities which may be a potential or actual conflict of interest generally occur:
1. As a result of questions by the hiring employment person or comments of the new hire.
 2. As a result of an employee's voluntary request for a determination or reports or comments from others to the employee's supervisor.

Upon receipt of such notice, the Human Resources Department, Department Supervisor or the employee may discuss the matter with a Legal Department representative informally, and may then take appropriate action based on the results of the discussions to cease activities or begin to process a formal Request for Waiver.

X. RESPONSIBILITY

- A. The Corporate General Counsel is responsible for administration and interpretations of this Corporate Policy and when necessary, consulting with the Audit and Compliance Committee of the Board of Directors of Cubic Corporation. The decision of the Corporate General Counsel regarding any interpretation of this policy is final.
- B. Corporate Officers of Cubic Corporation and each of its subsidiaries and affiliates, together with their Management personnel are responsible for enforcing this Corporate Policy and for obtaining interpretations of the Policy from the Legal Department and Audit and Compliance Committee when possible conflicts of interest arise.

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XI. PROCEDURE

<u>RESPONSIBILITY</u>	<u>STEP</u>	<u>ACTION REQUIRED</u>
A. <u>For New Hires</u>		
Human Resources	1	As a part of the employment process, require each new hire to read this Corporate Policy, sign and date the Conflict of Interest Agreement, CF 7-37, and have signature witnessed by a Human Resources Department representative.
	2	If a potential conflict of interest is found during the course of screening a new hire, request the new hire to fill out Request for Waiver to Conflict of Interest Agreement, CF 7-37/1, and process it in accordance with the review steps in section C below.
B. <u>For Employees</u>		
Employee	1	Upon considering involvement in a situation where conflict of interest appears possible at any time during the course of employment, notify his/her supervisor and/or the Legal Department for informal determination.
C. <u>Review Process</u>		
Supervisor	1	Upon request of the employee or upon report of employee engaging in potential conflict of interest activities, request the employee to get an informal determination or process a formal Request for Waiver to Conflict of Interest Agreement, CF 7-37/1.
Employee/New Hire	2	Prepare CF 7-37/1 including Attachment to Request for Waiver to Conflict of Interest Agreement, CF 7-37/2 (if required), and forward them to the Supervisor or Human Resources Department representative as appropriate.
Supervisor/ Human Resources	3	Review the case, solicit Management comments and Human Resources forward request with Management comments or recommendations to the Corporate General Counsel.
Corporate General Counsel	4	Review request, obtain Audit and Compliance Committee Determination, if appropriate, prepare an opinion and: <ol style="list-style-type: none"> a. If approved, prepare Limited Grant of Waiver to Conflict of Interest Agreement, CF 7-37/3, and send to supervisor or Human Resources to obtain employee signature and that of appropriate Corporate Vice President.

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XI. PROCEDURE cont'd

<u>RESPONSIBILITY</u>	<u>STEP</u>	<u>ACTION REQUIRED</u>
Corporate General Counsel (cont'd)	4	b. If disapproved, return CF 7-37/1 and CF 7-37/2 to the supervisor (or in the case of prospective employee, Human Resources) who shall initiate corrective action.
	5	Submit periodic reports, no less than annually, to the Chairman of the Audit and Compliance Committee summarizing opinions rendered and actions initiated.
	6	Prepare annual report for submission by April 1 of the following year in accordance with Section VII.C.