

ELBIT SYSTEMS LTD  
Form 6-K  
July 14, 2006

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

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**FORM 6-K**  
Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934  
For the Month of July 2006

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**ELBIT SYSTEMS LTD.**  
(Translation of Registrant's Name into English)  
Advanced Technology Center, P.O.B. 539, Haifa 31053, Israel  
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:  Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
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Attached hereto as Exhibit 1 and incorporated by reference herein is the Registrant's Proxy Statement, mailed to the Registrant's shareholders on or about July 13, 2006.

Attached hereto as Exhibit 2 and incorporated by reference herein is the Registrant's Proxy Card, mailed to the Registrant's shareholders on or about July 13, 2006.

**SIGNATURE**

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

**ELBIT SYSTEMS LTD.**

(Registrant)

By: /s/ David Block Temin

\_\_\_\_\_  
Name: David Block Temin

Title: Corporate Vice President and General Counsel

Dated: July 13, 2006

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**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
1.	Proxy Statement.
2.	Proxy Card.

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July 13, 2006

Dear Fellow Shareholder,

You are cordially invited to attend the Elbit Systems Ltd. Annual General Meeting of Shareholders to be held at 10 a.m. local time on Thursday, August 17, 2006, at our offices at Advanced Technology Center, Haifa, Israel.

The agenda of the meeting and the proposals to be voted on are described in the accompanying proxy statement. For the reasons described in the proxy statement, the Board of Directors recommends that you vote "FOR" Items 1, 2 and 3 as specified on the enclosed proxy card.

At the meeting, management also will present the other matters described in the proxy statement and provide a discussion period for questions and comments of general interest to shareholders.

We look forward to greeting all the shareholders who will be present at the meeting. However, whether or not you are able to attend, it is important that your shares be represented. Therefore, at your earliest convenience, please sign, date and mail the enclosed proxy card in the envelope provided so that it is received not later than 24 hours before the meeting.

Thank you for your cooperation.

Very truly yours,

/s/ MICHAEL FEDERMANN  
MICHAEL FEDERMANN  
Chairman of the Board of Directors

/s/ JOSEPH ACKERMAN  
JOSEPH ACKERMAN  
President and Chief Executive Officer

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**ELBIT SYSTEMS LTD.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Haifa, Israel  
July 13, 2006

This is notice that the Annual General Meeting of Shareholders of Elbit Systems Ltd. (the "Company") will be held at the Company's offices at the Advanced Technology Center, Haifa, Israel, on Thursday, August 17, 2006, at 10 a.m. local time, for the following purposes:

1. to elect seven directors to the Company's Board of Directors;
2. to elect Yaacov Lifshitz, who currently serves as an External Director on the Company's Board of Directors, to an additional three-year term, as an External Director; and
3. to re-appoint the Company's independent auditors for the fiscal year ending December 31, 2006.

In addition, at the meeting the Company will present the Management Report, the Auditors' Report and the Consolidated Financial Statements of the Company, each for the fiscal year ended December 31, 2005. The Company also will report on the dividend, directors' compensation and independent auditors' compensation arrangement with respect to fiscal year 2005.

Shareholders of record at the close of business on July 18, 2006, are entitled to receive notice of, and to vote at, the meeting. All shareholders are cordially invited to attend the meeting in person.

Shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed proxy card and return it promptly in the pre-addressed envelope provided so that it is received by the Company at least 24 hours before the meeting. No postage is required if mailed in the United States. Shareholders who attend the meeting may revoke their proxies and vote their shares in person.

By Order of the Board of Directors

/s/ MICHAEL FEDERMANN  
MICHAEL FEDERMANN  
Chairman of the Board of Directors

/s/ JOSEPH ACKERMAN  
JOSEPH ACKERMAN  
President and Chief Executive Officer

**The Company's Financial Statements for the fiscal year ended December 31, 2005, are enclosed but are not a part of this proxy. The Financial Statements should not be considered as proxy solicitation material.**

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**QUESTIONS AND ANSWERS ABOUT THE ANNUAL  
GENERAL MEETING**

*The following questions and answers summarize the major issues to be discussed at the Annual General Meeting. For a more complete description of the issues please see the accompanying Proxy Statement.*

**Q: When and where is the Meeting?**

A: The Meeting will take place at 10 a.m. local time, on Thursday, August 17, 2006, at the Company's offices at the Advanced Technology Center, Haifa, Israel.

**Q: What is the record date for the Meeting?**

A: The record date is July 18, 2006, and all shareholders holding shares at the close of business on July 18, 2006 will be entitled to receive notice of and to vote at the Meeting.

**Q: What are the items to be voted on at the Meeting?**

A: The items to be voted on include:

- Election of seven directors to the Board of Directors;
- Election of Mr. Yaacov Lifshitz, who currently serves as an External Director on the Company's Board of Directors, to an additional three-year term as an External Director; and
- Appointment of the Company's independent auditors for 2006.

**Q: Does the Company and its Board of Directors support the proposals to be voted on at the Meeting?**

A: Yes.

**Q: What voting majority is required?**

A: The required majority is more than 50% of the shares voted at the Meeting for the approval of Item 1 (election of directors) and Item 3 (re-appointment of the Company's independent auditors for 2006) in the Proxy Statement.

Approval of Item 2 (election of Mr. Lifshitz to an additional three-year term as External Director) requires:

(1) a majority of the votes cast regarding such election at the Meeting, whether in person or by proxy, provided that (i) that majority includes at least one-third (1/3) of the total votes of non-controlling shareholders or anyone voting on their behalf present at the Meeting in person or by proxy or (ii) the total number of votes of the shareholders mentioned in (i) above that are voted against such election does not exceed one percent (1%) of the Company's voting rights;

(2) each shareholder must indicate, either on the proxy card or prior to voting in person at the Meeting, whether or not the shareholder is considered a controlling shareholder of the Company.

**Q: Why is it necessary to elect an External Director at this time?**

A: Under Israeli law, a publicly traded company such as the Company is required to have two External Directors who meet the independence criteria specified in the Israeli Companies Law and who are elected by the required majority at a general shareholders meeting. An External Director serves for a three-year term. The term of Mr. Lifshitz, who was elected to serve as an External Director in July 2003, expires in July 2006.

**Q: Is Yaccov Lifshitz permitted to be elected for an additional three-year term as an External Director?**

A: Yes. External Directors such as Mr. Lifshitz, who continue to meet the qualification criteria, are permitted to be elected for an additional three-year term.

**Q: What other matters will be presented at the Meeting?**

A: The Company also will present at the Meeting the following matters relating to the fiscal year ended December 31, 2005:

- its Independent Auditors' Report, Management Report and Consolidated Financial Statements;
- the dividend paid to shareholders;
- the compensation paid to the Company's directors; and
- the compensation arrangement with the Company's independent auditors.

**Q: What do I need to do now?**

A: Just indicate on your proxy card how you want to vote, and sign and mail it in the enclosed return envelope as soon as possible, so that your shares will be represented at the Meeting. The signed proxy must be received by the Company at least 24 hours before the Meeting. If you sign and send in your proxy but do not indicate how you want to vote, your proxy will be counted as a vote for all the proposals.

**Q: What do I do if I want to change my vote?**

A: Just mail a later-dated, signed proxy card or other document revoking your proxy in time for it to be received by the Company at least 24 hours before the Meeting or attend the Meeting in person and vote.

**Q: If my shares are held in “street name” by my broker, a bank or other representative, will my representative vote my shares for me?**

A: If you hold your shares through a broker, bank or other representative, generally the broker or other representative may only vote the shares it holds for you in accordance with your instructions. However, if the broker or other representative does not receive your instructions in time, it may vote on certain types of matters for which it has discretionary authority.

**Q: Who can help answer my questions?**

A: For additional information about the Meeting, please contact during normal office hours, Sunday through Thursday, Ilan Pacholder, the Company’s Corporate Secretary at the Company’s offices in Haifa, Israel, telephone +972-4-8316632.



**ELBIT SYSTEMS LTD.  
Advanced Technology Center  
P.O. Box 539  
Haifa 31053, Israel**

**PROXY STATEMENT**

This Proxy Statement is provided to the shareholders of ordinary shares, NIS 1.00 nominal value (the "Shares"), of Elbit Systems Ltd. (the "Company" or "Elbit Systems"), in connection with the Board of Directors' solicitation of proxies for use at the Shareholders' Annual General Meeting to be held on Thursday, August 17, 2006 (the "Meeting"), or at any adjournment of the Meeting, as specified in the accompanying Notice of Annual General Meeting of Shareholders.

It is proposed that the shareholders adopt resolutions concerning the following matters at the Meeting:

- (1) election of seven directors to the Company's Board of Directors;
- (2) election of Yaacov Lifshitz, who currently serves as an External Director on the Company's Board of Directors, to an additional three-year term as an External Director; and
- (3) appointment of the Company's independent auditors for the fiscal year ending December 31, 2006.

In addition, at the Meeting the Company will present or report on the following matters relating to fiscal year 2006.

- its Independent Auditors' Report, Management Report and Consolidated Financial Statements;
- the dividend paid to shareholders;
- the compensation paid to the Company's directors; and
- the compensation arrangement with the Company's independent auditors.

Shares represented by properly signed and unrevoked proxies will be voted in the manner directed by the persons designated as proxies.

## QUORUM AND VOTING REQUIREMENTS

Only shareholders of record at the close of business on July 18, 2006 have the right to receive notice and to vote at the Meeting. Due to recent changes in regulations under the Israel Companies Law - 1999 (the "Companies Law") relating to the timing of establishing record dates for shareholder meetings, the record date has been established at a date after the date of publication of this Proxy Statement with the applicable securities authorities. Distribution of the Proxy Statement will be made following the record date, as was the case with previous shareholders meetings of the Company.

The Company had outstanding on July 1, 2006, 41,240,707 Shares, each giving a right of one vote for each of the matters to be presented at the Meeting. (This amount includes 23,021 Shares held by a wholly-owned subsidiary of the Company but does not include 385,000 Shares held by the Company as treasury shares.) No less than two shareholders present in person or by proxy, and holding or representing between them one-third of the outstanding Shares, will constitute a quorum at the Meeting.

If a quorum is not present within one-half hour after the time set for the Meeting, the Meeting will be adjourned and will be reconvened one week later at the same time and place unless other notice is given by the Board of Directors. If there is not a quorum within one-half hour of the time for the reconvened meeting, a quorum will be considered present as long as at least two shareholders participate in person or by proxy.

Joint holders of Shares should note that according to the Company's Articles of Association the vote, whether in person or by proxy, of the more senior of joint holders of any voted Share will be accepted over vote(s) of the other joint holders of that Share. For this purpose seniority will be determined by the order the joint holders' names appear in the Company's Register of Shareholders.

A majority of the votes cast at the Meeting either in person or by proxy is required: (a) to elect, under Item 1 of this Proxy Statement, each of the individuals nominated to be a director and (b) to approve Item 3 (appointment of independent auditors) of this Proxy Statement.

Approval of Item 2 of this Proxy Statement (election of Mr. Lifshitz to an additional three-year term as an External Director), requires a majority of the votes cast regarding such election at the Meeting, whether in person or by proxy, provided that (i) that majority includes at least one-third (1/3) of the total votes of non-controlling shareholders or anyone voting on their behalf present at the Meeting in person or by proxy (abstentions will not be taken into account); or (ii) the total number of votes of the shareholders mentioned in (i) above that are voted against such election does not exceed one percent (1%) of the Company's voting rights.

## VOTING AND REVOCATION OF PROXIES

For the purpose of this Proxy Statement:

“U.S. Shares” means Shares traded on the Nasdaq Global Market - i.e., Shares registered on the records of the Company’s U.S. transfer agent - American Stock Transfer & Trust Company.

“Israeli Shares” means Shares traded on the Tel Aviv Stock Exchange (the “TASE”) - i.e. Shares registered in the Company’s Israeli Shareholders’ Registry, including but not limited to such shares registered in the name of Israel Discount Bank Nominees Ltd. (the “Nominee Company”).

### Holders of U.S. Shares

Holders of U.S. Shares may vote their Shares by attending the Meeting and voting their Shares in person, or by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage-prepaid envelope. A proxy card for use at the Meeting and a return envelope for the proxy card are enclosed. Shareholders may revoke any proxy card prior to its exercise by filing with the Company a written notice of revocation or a properly signed proxy card of a later date, or by voting in person at the Meeting. In order to be counted for purposes of voting at the Meeting, a properly signed proxy card must be received by the Company at least 24 hours before the Meeting.

Notwithstanding the above, shareholders who hold their Shares in “street name”, meaning in the name of a bank, broker or other record holder, must either direct the record holder of their Shares on how to vote their Shares or obtain a legal proxy from the record holder to vote the Shares at the Meeting on behalf of the record holder as well as a statement from such record holder that it did not vote such Shares.

Unless otherwise indicated on the proxy card, Shares represented by a properly signed and received proxy in the enclosed form will be voted in favor of all the above described matters to be presented for voting at the Meeting.

Proxy cards are being mailed to shareholders on or about July 19, 2006 and will be solicited mostly by mail. However, in some cases proxies may be solicited by telephone, telegram or other personal contact.

### Holders of Israeli Shares

Holders of Israeli Shares may vote their Shares by attending the Meeting and voting their Shares in person, or by completing, signing, dating and mailing the form of Hebrew proxy that has been prepared in accordance with the Israeli Companies Regulations (Proxy Forms and Opinion Notices - 2005. The Hebrew proxy is available on the following websites: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) or [maya.tase.co.il](http://maya.tase.co.il), and it is also available at the Company’s offices. Proxies must be received by the Company no later than 24 hours before the Meeting. Shares represented by executed and unrevoked proxies will be voted at the Meeting.

Holders of Israeli Shares registered in the Company's Shareholders' Registry who vote their Shares by proxy must also provide the Company with a copy of their identity card, passport or certification of incorporation, as the case may be. Holders of Israeli Shares who hold their Shares through the Nominee Company and intend to vote their Shares either in person or by proxy must deliver to the Company an ownership certificate confirming their ownership of the Company's Shares on the record date, which certificate must be approved by a recognized financial institution, as required by the Israeli Companies Regulations (Proof of Ownership of Shares for Voting at General Meeting) - 2000.

Holders of Israeli Shares may revoke their proxies no later than 24 hours before the Meeting by applying to the Company's offices for such revocation and providing proof of their identity to the satisfaction of the Company's Corporate Secretary or other Company representative appointed for that purpose. Holders of Israeli Shares who revoke their proxy may only vote their Shares during the Meeting.

Proxies for holders of Shares registered in the Company's Israeli Shareholders' Registry will be solicited by the Company on or about July 19, 2006 by mail. The Company will pay for the cost of the solicitation of proxies, including the cost of preparing, assembling and mailing the proxy material, and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to shareholders.

#### **Failure to Vote by Proxy or in Person**

If a shareholder (either a holder of U.S. Shares or a holder of Israeli Shares) fails to vote by proxy or in person with regard to a specific proposal or if a shareholder does not indicate whether or not he or she has is a controlling shareholder with regard to Item 2 of this Proxy Statement, the Shares represented by such proxy or owned by such shareholder will be deemed not to have been cast for the purpose of the approval of such proposal. Accordingly, such Shares will not be counted in calculating the percentage of affirmative votes required for approval of such proposal. Without derogating from the foregoing and to the extent permitted by law and applicable stock exchange requirements, if a written proxy is signed by a shareholder and returned without instructions, the Shares represented by the proxy will be voted in favor of all of the proposals set forth above. If a shareholder instructs in a proxy that it wishes to abstain from voting its Shares on a specific proposal, the Shares represented by such proxy will be deemed as neither a vote for nor against the proposal considered at the Meeting, although they will be counted in determining whether a quorum is present.

**Right to Review Proxy Cards**

Following the Meeting, one or more shareholders holding, at the Record Date, at least 1,066,263 Shares, which represent as of the Record Date approximately five percent (5%) of the total voting rights of the Company that are not held by controlling shareholders of the Company, may review the proxy cards submitted to the Company at the Company's offices during normal business hours.

**BENEFICIAL OWNERSHIP OF SECURITIES BY  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows, as of July 1, 2006, to the best of the Company's knowledge, the number of Shares<sup>(1)</sup> owned by (i) all shareholders known by the Company to own 5% or more of the Company's Shares and (ii) all directors and officers of the Company as a group.

Federmann Enterprises Ltd. 99 Hayarkon Street Tel-Aviv, Israel <sup>(2)</sup>	16,755,448	40.68%
Heris Aktiengesellschaft c/o 99 Hayarkon Street Tel-Aviv, Israel	3,836,458 <sup>(3)</sup>	9.31%
Koor Industries Ltd. 14 Hamelacha Street Rosh Ha'ayin, Israel <sup>(4) (5)</sup>	3,160,000	7.67%
All officers and directors as a group (27 persons)	328,358 <sup>(6)</sup>	0.80%

(1) The total number of Shares includes 23,091 Shares held by a subsidiary of Elbit Systems but excludes 385,000 Shares held by Elbit Systems as treasury shares.

(2) Federmann Enterprises Ltd. ("FEL") owns the Shares of Elbit Systems directly and indirectly through Heris Aktiengesellschaft ("Heris") which is controlled by FEL. FEL is controlled by Beit Federmann Ltd. ("BFL"). BFL is controlled by Beit Bella Ltd. ("BBL") and Beit Yekutiel Ltd. ("BYL"). Michael Federmann is the controlling shareholder of BBL and BYL. He is also the Chairman of Elbit Systems' Board and the Chairman of the Board and the Chief Executive Officer of FEL. Therefore, Mr. Federmann controls, directly and indirectly, the vote of the Shares owned by Heris and FEL. As of July 1, 2006, 4,655,448 Elbit Systems Shares held by FEL were pledged to Bank Leumi Le-Israel BM to guarantee loans provided to FEL in connection with FEL's purchase in 2004 of the Elbit Systems Shares held by Elron Electronic Industries Ltd.

- (3) The amount of Shares owned by Heris is included in the amount of shares held by FEL as set forth in footnote (2) above.
- (4) Koor Industries Ltd. (Koor) is an Israeli multi-industry holding company, whose shares are publicly traded on the TASE, engaged through its direct and indirect wholly and partially owned subsidiaries and affiliates in the following core businesses: telecommunications, defense electronics, agrochemicals and investments in start-ups in the fields of telecommunications and life science. Koor is also involved in tourism, real estate and international trade businesses. The principal shareholders of Koor are Discount Investment Corp. Ltd., a subsidiary of IDB Development Corporation Ltd. (“IDBD”), holding approximately 30.9% of Koor, and IDBD, holding approximately 9.9% of Koor’s outstanding ordinary shares.
- (5) FEL and Heris (collectively the Federmann Group) and Koor may be deemed for purposes of U.S. securities laws to be joint owners of the aggregate Shares of Elbit Systems beneficially owned by them by virtue of a shareholders agreement dated December 27, 2004, which entered into force on April 18, 2005, as amended, between FEL and Koor, and which provides, among other things, for Koor to vote at general shareholders meetings of Elbit Systems in accordance with FEL’s instructions with certain exceptions. The Federmann Group and Koor have each disclaimed beneficial ownership of the other’s Shares in Elbit Systems.
- (6) This amount does not include any Shares that may be deemed to be beneficially owned by Michael Federmann as described in footnote (2) above. The amount includes 138,694 Shares underlying options that are currently exercisable or that will become exercisable within 60 days of July 1, 2006. A portion of the underlying options are “phantom options” that have been calculated based on Elbit Systems’ July 1, 2006 Share closing price on TASE of \$27.04.

#### **DIRECTOR INDEPENDENCE CRITERIA AND NOMINATING COMMITTEE**

Under Nasdaq rules that are applicable to the Company, a majority of the members of the Board of Directors must meet certain independence criteria. All of the members of the Audit Committee of the Board of Directors (the “Audit Committee”) must meet certain independence criteria as well. In addition, in accordance with Nasdaq rules, a Nominating Committee of the Board of the Directors (the “Nominating Committee”), consisting in its entirety of directors meeting the board of directors’ independence criteria, has been created in order to nominate candidates to the Board of Directors.

**ITEM 1 - ELECTION OF DIRECTORS**

At the Meeting, seven directors who are not External Directors (see list of nominees below) are to be elected. Also, if elected to another term as a director, Michael Federmann will continue to serve as Chairman of the Board of Directors. Nathan Sharony, an External Director, will continue to serve as External Director until the end of his term in March 2008.

The Nominating Committee has recommended to the Board of Directors that all of the persons named in the list of nominees below, all of whom currently serve as directors of the Company, be nominated for re-election to the Company's Board of Directors. Three of these nominees (Moshe Arad, Avraham Asheri and Yigal Ne'eman) meet the board of directors' independence criteria under the applicable Nasdaq rules, as do the two current External Directors (Nathan Sharony and Yaacov Lifshitz).

The Board of Directors has approved the recommendation of the Nominating Committee with respect to the list of nominees. Accordingly, the persons named in the proxy card distributed with this Proxy Statement intend to vote for the election of the seven nominees named below.

Each nominee so elected as a director will hold office until the next shareholders' Annual General Meeting and until his or her successor is elected and qualified, unless any director's office is vacated earlier in accordance with the provisions of the Companies Law or the Company's Articles of Association.

The Company is not aware of any reason why any of the nominees, if elected, should be unable to serve as a director. Nevertheless, if any of the nominees should be unable to serve, the proxies will be voted for the election of such other person or persons as determined by the person named in the proxy card in accordance with his or her judgment, provided such other person or persons have been recommended by the Nominating Committee for nomination to the Board of Directors.

The nominees and the current External Directors, their respective ages on July 1, 2006, and the year in which they became directors of the Company are as follows:

**Board of Directors**

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
Michael Federmann (Chairman)	63	2000
Moshe Arad	71	2005
Avraham Asheri	68	2000
Rina Baum	61	2001
Jonathan Kolber	44	2005
Yaacov Lifshitz (External Director)	62	2003
Yigal Ne'eman	64	2004
Dov Ninveh	59	2000
Nathan Sharony (External Director)	71	2002

**Michael Federmann.** Michael Federmann has served as Chairman of the Board of Directors since the merger with Elop in 2000. He served as Chairman of the Board of Directors of Elop from 1988 until the merger. He has held managerial positions in the Federmann Group since 1969, and since 2002 he has served as Chairman and CEO of Federmann Enterprises Ltd. (“FEL”). Currently, he also serves as Chairman of the Board of Directors of Dan Hotels Corp. Ltd. (“Dan Hotels”). Mr. Federmann is Deputy Chairman of the Board of Governors of the Hebrew University in Jerusalem (the “Hebrew University”) and a member of the Board of Governors and the Executive Committee of the Weizmann Institute of Science. Mr. Federmann holds a bachelor’s degree in economics and political science from the Hebrew University.

**Moshe Arad.** Moshe Arad served as Vice President for External Relations of the Hebrew University from 1994 to 2004. He currently serves on the Board of Directors of Discount Investment Corporation Ltd. From 1994 to 1999, he was member of the Board of Directors of Elbit Ltd. During 1992 and 1993, Mr. Arad served as Director General of the Israel Ministry of Communications. From 1990 to 1992, he was a member of the Tel-Aviv law firm of Herzog, Fox, Ne’eman. Mr. Arad served as Israel’s Ambassador to the United States from 1987 to 1990 and as Israel’s Ambassador to Mexico from 1983 to 1987. Ambassador Arad holds a bachelor’s degree in political science and international relations and a L.L.B. degree from the Hebrew University. Mr. Arad serves on the Compensation Committee of the Company’s Board of Directors.

**Avraham Asheri.** Avraham Asheri has served as an economic advisor and a director of several companies since 1998. He currently serves on the Boards of Directors of Elron Electronic Industries Ltd., Discount Mortgage Bank Ltd., Scailex Corporation Ltd. and Africa Israel Investment Ltd. Mr. Asheri was President and Chief Executive Officer of Israel Discount Bank from 1991 until 1998, and Executive Vice President and member of its management committee from 1983. Prior to that, he served for 23 years at the Israel Ministry of Industry and Trade and at the Israel Ministry of Finance, including as Director General of the Israel Ministry of Industry and Trade, Managing Director of the Israel Investment Center and Trade Commissioner of Israel to the United States. Mr. Asheri holds a bachelor’s degree in economics and political science from the Hebrew University. Mr. Asheri serves as Chairman of the Compensation Committee and as a member of the Audit and Nominating Committees of the Company’s Board of Directors.

**Rina Baum.** Rina Baum is Vice President for Investments of FEL and since 1986 has served as Director and General Manager of Unico Investment Company Ltd. and other managerial positions within the Federmann Group She serves as a director of Dan Hotels, Etanit Building Products Ltd. and Harel Mutual Funds Ltd. Mrs. Baum holds an L.L.B. degree from the Hebrew University.



**Jonathan B. Kolber.** Jonathan Kolber has served as Chief Executive Officer of Koor since 1998. Mr. Kolber served as the Vice Chairman of the Board of Directors of Koor from 1997 to 2003. He served as President of Claridge Israel Ltd. from 1989 to 2001 and as Vice President of Claridge Inc. from 1986 to 1990. Mr. Kolber was associated with Cemp Investments from 1985 to 1987. He serves as a director of several Israeli companies, including ECI Telecom Ltd., Makhteshim-Agan Industries Ltd., Telrad Networks Ltd., Sheraton-Moriah Israel Ltd. and Knafaim - Arkia Holdings Ltd. Mr. Kolber holds a bachelor's degree in near eastern languages and civilizations from Harvard University and a certificate in advanced Arabic from the American University of Cairo.

**Yaacov Lifshitz (External Director)** - See Item 2 below.

**Yigal Ne'eman.** Yigal Ne'eman has served since 1994 as the Chairman and President of the Israel College. From 1989 to 1993, he served as Chairman and as a shareholder of several industrial, commercial and service companies. Mr. Ne'eman served as the President and CEO of Tadiran Electronic Industry Ltd. ("Tadiran") from 1981 to 1989. Prior to that he held a number of management positions in the control and finance departments of Tadiran. Mr. Ne'eman is a certified public accountant and holds an accounting degree from the Hebrew University. Mr. Ne'eman serves as a member of the Audit and Nominating Committees of the Company's Board of Directors.

**Dov Ninveh.** Dov Ninveh has served since 1994 as Chief Financial Officer and a manager in FEL. He serves as a director of Dan Hotels and Etanit Ltd. Mr. Ninveh served as a director of Elop from 1996 until 2000. From 1989 to 1994, he served as Deputy General Manager of Etanit Building Products Ltd. Mr. Ninveh holds a bachelor's degree in economics and management from the Israel Institute of Technology.

**Nathan Sharony (External Director).** Nathan Sharony has served since 1997 as a director for several companies. He currently serves as a director for Bituach Yashir Ltd., an insurance company, Union Bank, Ormat Industries Ltd., Genoa Technologies Ltd. and Israel Bonds International Inc. From 1997 to 1999, he served as Chairman of Technorov. From 1994 to 1997, he was Chief Executive Officer of Israel Bonds, a U.S. brokerage. Mr. Sharony served as the Director General of the Israel Ministry of Industry and Trade from 1992 to 1994. Prior to that, Mr. Sharony held a number of positions in industry and government including head of the Israeli Government Economic Mission to the U.S., President and Chief Executive Officer of Elop and Vice President for Logistics of Tadiran Ltd. In 1982, Mr. Sharony completed 30 years of service in the Israel Defense Forces, retiring with the rank of Major General. Mr. Sharony participated in the Field Artillery Battery Officers Course in Fort Sill, Oklahoma. Mr. Sharony serves as Chairman of the Audit and Nominating Committees of the Company's Board of Directors.

## **Directors Fees**

At the annual general shareholders meeting held in 2004, the Company's shareholders approved payment to directors thereafter in accordance with maximum regulatory rates payable to External Directors under Israeli law for companies similarly classified based on their shareholding equity. This amount currently includes an annual fee of \$10,307 and a per meeting fee of \$396. Such payments are made either directly to the director or to his or her employing company.

At the Meeting, the Board of Directors will propose that the following resolution be adopted:

“RESOLVED, that Messrs. Federmann, Arad, Asheri, Kolber, Ne’eman and Ninveh and Mrs. Baum are elected as directors of the Company.”

**The Board of Directors recommends a vote FOR all the nominees to the Board of Directors.**

## **ITEM 2 - ELECTION OF YAACOV LIFSHITZ FOR AN ADDITIONAL TERM AS EXTERNAL DIRECTOR**

The Company is required under the Companies Law to have at least two External Directors on its Board of Directors. Among other requirements of the Companies Law, a person may not serve as an External Director if such person or such person's relative, partner or employer, or any entity controlled by such person has, at any time during the two years up to the date of appointment, any affiliation with the Company, entities controlling the Company or entities controlled by the Company. The term “affiliation” is broadly defined in the Companies Law. In addition, no person may serve as an External Director if such person's position or other business creates any conflict of interest with or impairs his or her responsibilities as an External Director.

Each committee of the Company's Board of Directors is required to include at least one External Director, and all External Directors must be members of the Board of Directors' Audit Committee. An External Director is entitled to compensation and to reimbursement of expenses as provided in regulations under the Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with services provided as an External Director. External Directors are elected at a General Shareholders Meeting and serve for a three-year term. The term may be extended for an additional three-year term if the extension is approved by a General Shareholders Meeting.

Nathan Sharony and Yaacov Lifshitz currently serve as the Company's External Directors. Mr. Sharony has served as an External Director since March 2002, was re-elected in March 2005, and his term of office as an External Director expires in March 2008. The term of office of Mr. Lifshitz, who was elected as an External Director in July 2003, expires in July 2006.

The Nominating Committee has recommended to the Board of Directors that Mr. Lifshitz be nominated for re-election to an additional three-year term as an External Director, and Mr. Lifshitz has agreed to stand for re-election.

The Company's Board of Directors has approved the recommendation of the Nominating Committee with respect to the re-election of Mr. Lifshitz for an additional three-year term as an External Director.

The Companies Law provides that a General Shareholders Meeting at which the appointment of an External Director is to be considered will not be held unless the nominee has declared to the Company that he or she complies with the qualifications for appointment as an External Director. The proposed nominee, Mr. Lifshitz, has represented to the Company that he complies with the qualifications for re-appointment as an External Director. If elected for an additional term as an External Director, he will hold office for a further three-year period unless his office is vacated earlier in accordance with the provisions of the Companies Law or the Company's Articles of Association. If for any reason Mr. Lifshitz should be unable to serve, another person will be elected in accordance with applicable law.

Background information regarding Mr. Lifshitz, who is 62 on the date of this Proxy Statement, is as follows:

Yaacov Lifshitz serves as a director of several companies and as a lecturer in the fields of economics, public policy and management. He currently is a lecturer at the Department of Economics and the Department of Public Policy and Management of Ben-Gurion University and at the Department of Political Science of the Tel-Aviv University. He also currently serves on the Boards of Directors of Kali - Insurance Agencies Ltd., Carmel Investments Ltd. and Tesnet Software Testing Ltd. During the period from 1994 to 2002, Mr. Lifshitz served at various times as the Chairman of the Boards of Directors of Hamashbir Lazarchan Israel Ltd., Israel Military Industries Ltd., Spectronix Ltd., Dor Chemicals Ltd., Dor Energy Ltd., DorGas Ltd. and the Israeli Foreign Trade Risk Insurance Corp. Ltd. He also served from 1995 to 2002 as the Chairman of the Executive Board of the Israel Management Center. Prior to that he held various senior positions in government, banking and industry, including Director General of the Israel Ministry of Finance, Chief Economic Advisor to the Israel Ministry of Defense, Senior Vice President and Chief Credit Officer of Israel Discount Bank and President and CEO of Electra (Israel) Ltd. Mr. Lifshitz holds a bachelor's degree in economics and political science and a master's degree in economics from the Hebrew University. Mr. Lifshitz is a member of the Audit and Compensation Committees of the Company's Board of Directors. Mr. Lifshitz has also been designated by the Company's Board of Directors as the "Audit Committee Financial Expert" under applicable U.S. and Israeli rules and regulations.

At the Meeting, the Board of Directors will propose that the following resolution be adopted:

"RESOLVED, that Mr. Yaacov Lifshitz be elected for an additional three-year term as an External Director of the Company".

**The Board of Directors recommends a vote FOR approval of this resolution.**

**ITEM 3 - RE-APPOINTMENT OF THE COMPANY'S INDEPENDENT AUDITORS  
FOR FISCAL YEAR 2006**

Following the recommendation by the Company's Audit Committee, it is proposed that Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global Certified Public Accountants, will be appointed as independent auditors of the Company for the fiscal year ending on December 31, 2006. A representative of the independent auditors will be present at the Meeting and will be available to respond to appropriate questions from the shareholders. Such auditors served as the Company's auditors for fiscal year 2005 and have no relationship with the Company or with any affiliate of the Company, except as auditors.

At the Meeting, the Board of Directors will propose that the following resolution be adopted:

“RESOLVED, that the Company's independent auditors, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global, are re-appointed as independent auditors of the Company for the fiscal year ending December 31, 2006.”

**The Board of Directors recommends a vote FOR approval of this resolution.**

**MATTERS TO BE REPORTED**

In addition, at the Meeting the Company will present or report on the following matters relating to fiscal year 2005:

its Independent Auditors' Report, Management Report and Consolidated Financial Statements for the fiscal year ended December 31, 2005;

the dividend paid to shareholders;

the compensation paid to the Company's directors; and

the compensation arrangement with the Company's independent auditors.

By Order of the Board of Directors

/s/ **MICHAEL FEDERMANN**

**MICHAEL FEDERMANN**

Chairman of the Board of Directors

/s/ **JOSEPH ACKERMAN**

**JOSEPH ACKERMAN**

President and Chief Executive Officer

Date: July 13, 2006

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ELBIT SYSTEMS LTD. AND ITS SUBSIDIARIES

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CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2005  
(IN U.S. DOLLARS)

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**ELBIT SYSTEMS LTD.**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS  
FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON AUGUST 17, 2006**

**KNOW ALL PERSONS BY THESE PRESENTS**, that the undersigned hereby appoints MICHAEL FEDERMANN, JOSEPH ACKERMAN and ILAN PACHOLDER, and each of them, the true and lawful proxies of the undersigned, with full power of substitution, to vote with respect to all of the undersigned's ordinary shares of ELBIT SYSTEMS LTD. (the "Company"), at the Annual General Meeting of Shareholders of the Company to be held at the Company's offices at the Advanced Technology Center, Haifa, Israel on Thursday, August 17, 2006, at 10 a.m. local time, and at any adjournments, with all power that the undersigned would have if personally present and especially (but without limitation) to vote as follows:

**The shares represented by this Proxy will be voted in the manner directed, and if no instructions to the contrary are indicated, will be voted "FOR" all Proposals listed on the reverse side.**

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

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**A x Please mark your votes as in this example**

1. ELECTION OF DIRECTORS

**FOR** all listed nominees  
(except as marked  
to the contrary)

**WITHHOLD  
AUTHORITY** To vote for  
all nominees listed at right

**Nominees:** Moshe Arad,  
Avraham Asheri, Rina  
Baum, Jonathan Kolber,  
Michael Federmann, Yigal  
Ne'eman and Dov Ninveh

(**Instructions:** to withhold  
authority to vote for any  
individual nominee, strike a  
line through the nominee's  
name in the list at right)

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2.ELECTION OF YAACOV LIFSHITZ TO AN ADDITIONAL THREE-YEAR TERM AS AN EXTERNAL DIRECTOR:

FOR  AGAINST  ABSTAIN

3. RE-APPOINTMENT OF THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006:

FOR  AGAINST  ABSTAIN

\* \* \* \* \*

Any proxies previously given are hereby revoked.

Dated: \_\_\_\_\_, 2006

[Name, address, number of shares]

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**IMPORTANT: Please sign exactly as name(s) appears above. Executors, administrators, trustees, etc. should indicate the capacity in which they sign.**

The above-signed hereby acknowledge(s) receipt of the Notice of Annual General Meeting of Shareholders and the accompanying Proxy Statement.

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