

Edgar Filing: RADA ELECTRONIC INDUSTRIES LTD - Form 6-K

RADA ELECTRONIC INDUSTRIES LTD  
Form 6-K  
October 02, 2008

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR  
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of  
October 2008

RADA ELECTRONIC INDUSTRIES LIMITED  
(Name of Registrant)

7 Giborei Israel Street, Netanya 42504, Israel  
(Address of Principal Executive Office)

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):

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):

Indicate by check mark whether by furnishing the information  
contained in this Form, the registrant 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): 82-\_\_\_\_\_

This Form 6-K is being incorporated by reference into the Registrant's  
Form F-3 Registration Statements File Nos. 333-12074, 333-115598, 333-117954,  
333-127491 and 333-150197 and Form S-8 Registration Statement File No.  
333-111437.

RADA ELECTRONIC INDUSTRIES LTD.

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6-K Items

1. RADA Electronic Industries Ltd. Proxy Statement for Annual General Meeting to be held October 27, 2008.
2. Form of RADA Electronic Industries Ltd. Proxy Card.

ITEM 1

RADA ELECTRONIC INDUSTRIES LTD.  
7 Giborei Israel Street,  
Netanya 42504, Israel

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## NOTICE OF 2008 ANNUAL GENERAL MEETING OF SHAREHOLDERS

RADA Electronic Industries Ltd. Shareholders:

We cordially invite you to the 2008 Annual General Meeting of Shareholders to be held at 10 a.m. on Monday, October 27, 2008 at our offices at 7 Giborei Israel Street, Netanya, Israel, for the following purposes:

- (1) To elect one Class C director for a term expiring in 2011;
- (2) To ratify and approve the reappointment of Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global, as our independent registered public accountants for the year ending December 31, 2008 and to authorize our Board of Directors to determine their compensation based on the recommendation of our Audit Committee; and
- (3) To review and discuss our auditor's report and consolidated financial statements for the year ended December 31, 2007.

The Board of Directors recommends that you vote in favor of all of the items, which are described in the attached Proxy Statement.

Shareholders of record at the close of business on September 17, 2008 are entitled to notice of and to vote at the Meeting. You can vote by proxy either by mail or in person. If voting by mail, the proxy must be received by our transfer agent or at our registered office in Israel at least forty-eight (48) hours prior to the appointed time of the Meeting to be validly included in the tally of ordinary shares voted at the Annual General Meeting. Detailed proxy voting instructions are provided both in the Proxy Statement and on the enclosed proxy card.

By Order of the Board of Directors,  
Herzle Bodinger,

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Chairman of the Board of Directors  
Netanya, Israel  
September 18, 2008

RADA ELECTRONIC INDUSTRIES LTD.  
7 Giborei Israel Street,  
Netanya 42504, Israel

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PROXY STATEMENT

2008 ANNUAL GENERAL MEETING OF SHAREHOLDERS

This proxy statement is being furnished in connection with the solicitation of proxies on behalf of the Board of Directors of RADA Electronic Industries Ltd., to be voted at the 2008 Annual General Meeting of Shareholders, or the Meeting, and at any adjournment thereof, pursuant to the accompanying Notice of 2008 Annual General Meeting of Shareholders. The Meeting will be held on Monday October 27, 2008 at our offices at 7 Giborei Israel Street, Netanya, Israel.

This Proxy Statement, the attached Notice of 2008 Annual General Meeting and the enclosed proxy card, as well as our audited financial statements for the year ended December 31, 2007, are being mailed to shareholders on or about September 22, 2008.

Purpose of the Annual General Meeting

At the Meeting the shareholders will be asked to consider and vote upon the following matters: (i) election of one Class C director for a term expiring in 2011; and (ii) ratification and approval of the reappointment of Kost Forer of Ernst & Young Global, as our independent registered public accountants for the year ending December 31, 2007 and to authorize our Board of Directors to determine their compensation based on the recommendation of our Audit Committee. In addition our auditor's report and consolidated financial statements for the year ended December 31, 2007 will be reviewed and discussed at the Meeting.

We are not aware of any other matters that will come before the Meeting. If any other matters properly come before the Meeting, the persons designated as proxies intend to vote on such matters in accordance with the judgment of the Board of Directors.

Proxy Procedure

Only holders of record of our ordinary shares, par value of NIS 0.015 per share, as of the close of business on September 17, 2008, are entitled to notice of, and to vote in person or by proxy, at the Meeting.

Shares eligible to be voted and for which a proxy card is properly signed and returned and actually received by our transfer agent or at our registered office in Israel at least forty-eight (48) hours prior to the beginning of the Meeting will be voted as directed. If directions are not given or directions are not in accordance with the options listed on a signed and returned proxy card, such shares will be voted FOR the nominee for directors and FOR each proposal for which the Board of Directors recommends a vote FOR. Unsigned or unreturned proxies, including those not returned by banks, brokers, or other record holders, will not be counted for quorum or voting purposes.

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We will bear the cost of soliciting proxies from our shareholders. Proxies will be solicited by mail and may also be solicited personally or by telephone by our directors, officers and employees. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in accordance with the regulations of the U.S. Securities and Exchange Commission concerning the sending of proxies and proxy material to the beneficial owners of stock.

You may vote by submitting your proxy with voting instructions by mail if you promptly complete, sign, date and return the accompanying proxy card in the enclosed self-addressed envelope to our transfer agent or to our registered office in Israel at least forty-eight (48) hours prior to the appointed time of the Meeting. You may revoke your proxy at any time prior to the exercise of authority granted in the proxy by giving a written notice of revocation to our Corporate Secretary, by submitting a subsequently dated, validly executed proxy, or by voting in person.

### Quorum and Voting

As of September 17, 2008, the record date for determination of shareholders entitled to vote at the Meeting, there were outstanding 8,858,553 ordinary shares. Each ordinary share entitles the holder to one vote.

The presence of two shareholders, holding at least one third (1/3) of our issued share capital voting rights, represented in person or by proxy at the Meeting, will constitute a quorum. An affirmative vote of the holders of a majority of the ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting thereon, is required to approve a proposal, except as otherwise stated in the proposal.

### Securities Ownership by Certain Beneficial Owners and Management

The following table sets forth certain information as of September 17, 2008 regarding the beneficial ownership by (i) all shareholders known to us to own beneficially more than 5% of our outstanding ordinary shares, (ii) each director and (iii) all directors and executive officers as a group:

Name ----	Number of Ordinary Shares Beneficially Owned (1) -----	Percentage of Ownership(2) -----
Howard P.L. Yeung (3) (4)	7,061,872	59.5%
Kenneth Yeung (3)	450,029	5.1%
Herzle Bodinger (5)	183,333	2.0%
Zvi Alon (6)	100,000	1.1%
Shiri Lazarovich (7)	18,666	*
Dov Sella (6)	100,000	1.1%
Yuval Dan-Gur (8)	40,000	*
Oleg Kiperman (9)	57,667	*
Adrian Berg (10)	85,533	1.0%
Roy Kui Chuen Chan (11)	58,867	*
Ben Zion Gruber (12)	50,681	*
Michael Letchinger	--	--
Nurit Mor	--	--
Eli Akavia	--	--

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All directors and executive officers as a group (12 persons)	694,747	7.8%
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\* Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Ordinary shares relating to options and warrants currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- (2) The percentages shown are based on 8,858,553 ordinary shares issued and outstanding as of September 17, 2008.
- (3) Of the 7,061,872 ordinary shares, 450,029 shares are held by Horsham Enterprises Ltd., a corporation incorporated in the British Virgin Islands. Messrs. Howard P.L. Yeung and his brother Kenneth Yeung are the beneficial owners, in equal shares, of Horsham Enterprises Ltd. Accordingly, Messrs. Yeung may be deemed to be the beneficial owners of the ordinary shares held by Horsham Enterprises Ltd.
- (4) Includes 1,435,407 ordinary shares issuable upon conversion of convertible notes and 1,578,947 ordinary shares issuable upon the exercise of currently exercisable warrants.
- (5) All such ordinary shares are subject to currently exercisable options granted under our 2003 stock option plan. 100,000 options have an exercise price of \$4.02 per share and 83,333 options have an exercise price of \$2.91 per share. The options expire in January 2013.

2

- (6) All such ordinary shares are subject to currently exercisable options granted under our 2003 stock option plan. 33,333 options have an exercise price of \$2.07 per share and 66,667 options have an exercise price of \$2.40 per share. The options expire in January 2013.
- (7) All such ordinary shares are subject to currently exercisable options granted under our 1999 and 2003 stock option plans. 5,333 options have an exercise price of \$3.42 per share and 13,333 options have an exercise price of \$2.40 per share. 16,000 options expire in January 2013 and 2,666 options expire in December 2009.
- (8) All such ordinary shares are subject to currently exercisable options granted under our 1999 and 2003 stock option plans. 13,333 options have an exercise price of \$3.42 per share and 26,667 options have an exercise price of \$2.40 per share. 33,333 options expire in January 2013 and 6,667 options expire in December 2009.
- (9) All such ordinary shares are subject to currently exercisable options granted under our 1999 and 2003 stock option plans. 6,000 options have an exercise price of \$9.85 per share, 25,000 options have an exercise price of \$2.07 per share and 26,677 options have an exercise price of \$2.40 per share. 51,677 options expire in January 2013 and 6,000 options expire in December 2009.

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- (10) Includes 84,000 ordinary shares subject to currently exercisable options granted under our 2003 stock option plan at an exercise price of \$4.02 per share. The options expire in January 2013.
- (11) Includes 57,333 ordinary shares subject to currently exercisable options granted under our 2003 stock option plan at an exercise price of \$4.02 per share. The options expire in January 2013.
- (12) Includes 34,014 ordinary shares issuable upon currently exercisable warrants at an exercise price of \$1.88 per share that were issued in June 2007, and 16,667 ordinary shares subject to currently exercisable options granted under our stock option plans, at an exercise price of \$4.02 per share. Such options expire in January 2013.

### I. ELECTION OF DIRECTORS (Item 1 on the Proxy Card)

Pursuant to our articles of association, our Board of Directors may consist of no less than two and no more than eleven members, and is divided into three classes (other than outside directors), Class A, Class B and Class C. Generally, at each annual meeting of shareholders one class of directors is elected for a term of three years. At present we have two Class A directors, two Class B directors and one Class C director. All the members of our Board of Directors, except the outside directors, may be reelected upon completion of their term of office. In addition, companies incorporated under the laws of Israel whose shares have been offered to the public inside or outside of Israel, such as our company, are required by the Israeli Companies Law, 5759-1999, or the Israeli Companies Law, to appoint at least two outside directors, within the meaning of the Israeli Companies Law. In general, outside directors serve for three-year terms, which may be renewed for only one additional three-year term. However, Israeli companies listed on certain stock exchanges outside of Israel, including the NASDAQ Global Market, may appoint an outside director for additional terms of not more than three years subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the director's professional expertise and special contribution to the company's board of directors and its committees, the appointment of the outside director for an additional term is in the best interest of the company. Ms. Nurit Mor and Mr. Eli Akavia were each elected by our shareholders to serve as our outside directors pursuant to the provisions of the Israeli Companies Law for initial three-year terms until our 2009 annual general meeting of shareholders.

Under the Israeli Companies Law, our Board of Directors is required to determine the minimum number of directors who must have "accounting and financial expertise" (as such term is defined in regulations promulgated under the Israeli Companies Law). In addition, under the Israeli Companies Law at least one of our outside directors must have "accounting and financial expertise." Our Board of Directors has determined that our Board of Directors will include at least one director who has "accounting and financial expertise" within the meaning of the regulations promulgated under the Israeli Companies Law. Our Board of Directors has determined that both Mr. Adrian Berg, a member of our Board of Directors, and Mr. Eli Akavia, one of our outside directors and an audit committee member, have the requisite "accounting and financial expertise."

In general, under NASDAQ Marketplace Rules, as of July 31, 2005, a majority of our Board of Directors must qualify as independent directors and our Audit Committee must have at least three members and be comprised only of independent

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directors, each of whom satisfies the respective "independence" requirements of the Securities and Exchange Commission and NASDAQ. However, under an amendment to the NASDAQ Marketplace Rules, foreign private issuers, such as our company, may follow certain home country corporate governance practices without the need to seek individual exemptions from NASDAQ. Pursuant to this amendment, a foreign private issuer must provide NASDAQ with a letter from outside counsel in its home country certifying that the issuer's corporate governance practices are not prohibited by home country law. On May 5, 2005, we provided NASDAQ with a notice of non-compliance with respect to (among other things) the requirement to maintain a majority of independent directors, as defined under the NASDAQ Marketplace Rules. Instead, we follow Israeli law and practice which requires that we appoint at least two outside directors to our Board of Directors. In addition, in accordance with SEC rules, we have the mandated three independent directors, as defined by the SEC and NASDAQ rules, on our Audit Committee.

We also do not follow the NASDAQ requirement regarding the process for the nomination of directors; instead, we follow Israeli law and practice in accordance with which directors are elected by the shareholders, unless otherwise provided in a company's articles of association. Our Articles of Association do not provide otherwise. Our practice has been that our director nominees are presented in our proxy statement for election at our annual meetings of shareholders.

Accordingly our Board of Directors proposes the election of Mr. Adrian Berg, to serve as Class C director, to hold office for additional three years until the Annual General Meeting of Shareholders to be held in 2011.

Should the nominee be unavailable for election, the proxies will be voted for a substitute nominee designated by our Board of Directors. The nominee is expected to be available.

Set forth below is information about the nominee, including age, position(s) held with our company, principal occupation, business history and other directorships held.

Nominee for Election as Class C Director for a Term Expiring in 2011

Adrian Berg, 60, has served as a director since November 1997. Mr. Berg is a designee of Horsham Enterprises Ltd. Since 1976, Mr. Berg has been a chartered accountant and senior partner at the U.K. firm, Alexander & Co., Chartered Accountants. Mr. Berg holds a B.Sc. degree in Industrial Administration from the University of Salford and received his qualification as a fellow of the U.K. Institute of Chartered Accountants in 1973 after he completed three years of training at Arthur Andersen & Co.

The Board of Directors recommends a vote FOR the election of the nominee for director named above.

Directors Continuing in Office

Ben Zion Gruber, 49, was elected as a director designee of the shareholders (excluding Howard Yeung) that participated in the private placement of our shares in June 2002. Mr. Gruber is founder and manager of several real estate and construction companies and an entrepreneur involved in several hi-tech companies. Mr. Gruber is a Colonel (Res) of the Israeli Defense Forces serving as Brigadier Commander of a tank battalion. Mr. Gruber holds an M.A. degree in Behavioral Sciences from Tel Aviv University, a B.Sc. degree in Engineering of microcomputers from "Lev" Technology Institute and is currently studying for his PhD degree in Behavioral Sciences at the University of Middlesex, England. In addition Mr. Gruber is a graduate of a summer course in Business Administration at Harvard University, as well as several other courses and training in management, finance and entrepreneurship. Mr. Gruber is a member of the Board of

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Employment Service of the Government of Israel. He also serves on the boards of directors of the Company for Development of Efrat Ltd., and the Association of Friends of "Kefar Shaul" Hospital. Mr. Gruber serves on the Ethics Committees of the Eitanim and Kefar Shaul Hospitals as well as a director of several other charitable organizations. Mr. Gruber is a Class A director whose term will expire in 2009.

4

Roy Kui Chuen Chan, 61, has served as a director since November 1997. Mr. Chan is a designee of Horsham Enterprises Ltd. Mr. Chan has been legal consultant to Yeung Chi Shing Estates Limited, a Hong Kong holding company with major interests in hotels and real estate in Hong Kong, China, the U.S., Canada and Australia, and its international group of companies, since 1984. Mr. Chan presently serves as legal counsel to several Hong Kong companies, including Horsham Enterprises Ltd. Mr. Chan received his qualification as a solicitor and has been a member of the U.K. bar since 1979 after he completed five years of training at Turners Solicitors. Mr. Chan is a Class A director whose term will expire in 2009.

Michael Letchinger, 52, was elected as a director designee of Horsham Enterprises Ltd. in November 2004. Since 2000, Mr. Letchinger has been General Counsel and Senior Vice President-Managing of Potomac Golf Properties, LLC, a company engaged in real estate development and free standing golf facilities. From 1994 to 2000, Mr. Letchinger was General Counsel and Senior Vice President-Managing of Potomac Development Associates, a sister company of Potomac Golf Properties, LLC. Mr. Letchinger holds a B.A. degree in economics from Brandeis University, Waltham, Massachusetts, and a J.D. degree from University of Chicago Law School. Mr. Letchinger is a Class B director whose term will expire in 2010.

Herzle Bodinger, 65, has served as our chairman of the Board of Directors since July 1998, and since 2001 has served as our president as well. General (Res.) Bodinger first joined us in May 1997 as the president of our U.S. subsidiary, Rada Electronic Industries Inc., and was appointed our chief executive officer in June 1998. He served as our chief executive officer from 1998 until 2001 and resumed this position from June 2006 until July 2007. General (Res.) Bodinger served as the Commander of the Israeli Air Force from January 1992 through July 1996. During the last 35 years of his service, he also served as a fighter pilot while holding various command positions. General (Res.) Bodinger holds a B.A. degree in Economics and Business Administration from the Bar-Ilan University and completed the 100th Advanced Management Program at Harvard University. Mr. Bodinger is a Class B director whose term will expire in 2010.

Eli Akavia, 60, has served as an outside director since August 2006. Mr. Akavia has since August 2002 served as an independent consultant in accounting and audit issues. From 1979 to 2002, Mr. Akavia served as a partner in various positions in the accounting firm of Luboshitz Kasierer, which was merged into Kost Forer Gabbay & Kasierer, which is currently a member firm of Ernst & Young Global, Mr. Akavia serves as a director of Eden Springs Ltd., On Track Innovation Ltd, Starling Ltd, Eshld Ltd and Direct Funds Ltd., all of which are public Israeli companies. Mr. Akavia has been a Certified Public Accountant (Israel) since 1975 and holds a B.Sc. degree in Mathematics and Economics from the Hebrew University in Jerusalem and an M.B.A degree from the Tel Aviv University. Mr. Akavia will serve as outside director until 2009.

Nurit Mor, 64, has served as an outside director since August 2006. Ms. Mor has since September 2005 served as an outside director of Aspen Real Estate Ltd., and from May 2004, Ms. Mor has served as an outside director of I.B.I



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Investment House Ltd., both Israeli public companies. From 1973 to 2003, Ms. Mor served in senior positions in the Bank of Israel, including in the public complaints and customer relations department. Ms. Mor holds a B.A. degree in Economics and Statistics and a diploma in Business Administration from the Hebrew University, Jerusalem, and an M.A degree in Labor Studies from the Tel Aviv University. Ms. Mor will serve as an outside director until 2009.

### Audit Committee

Under the Israeli Companies Law, the board of directors of any public company must establish an audit committee. The audit committee must consist of at least three directors and must include all of the outside directors. The audit committee may not include the chairman of the board, any director employed by the company or providing services to the company on an ongoing basis, a controlling shareholder or any of the controlling shareholder's relatives. In addition, the NASDAQ Marketplace Rules require us to establish an audit committee comprised of at least three members, all of which must be independent directors, each of whom is financially literate and satisfies the respective "independence" requirements of the Securities and Exchange Commission and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company.

Our Audit Committee, established in accordance with Section 114 of the Israeli Companies Law and Section 3(a)(58)(A) of the Securities Exchange Act of 1934, assists our Board of Directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent public

5

accountants' qualifications and independence, the performance of our internal audit function and independent public accountants, finding any defects in the business management of our company for which purpose the Audit Committee may consult with our independent auditors and internal auditor, proposing to the Board of Directors ways to correct such defects, approving related-party transactions as required by Israeli law, and such other duties as may be directed by our Board of Directors.

Our Audit Committee consists of three Board members, all of which satisfy the "independence" requirements of the Securities and Exchange Commission and NASDAQ. We also comply with Israeli law requirements for audit committee members. Our Audit Committee is currently composed of Nurit Mor, Eli Akavia and Ben Zion Gruber. Ms. Mor and Mr. Akavia qualify both as independent directors under the NASDAQ Stock Market and Securities and Exchange Commission requirements and as outside directors under the Israeli Companies Law requirements. Mr. Ben Zion Gruber serves as the third member of our Audit Committee. The Audit Committee meets at least once each quarter. Our Board of Directors determined that Mr. Akavia meets the definition of an audit committee financial expert, as defined in Item 401(h) of Regulation S-K.

The responsibilities of the Audit Committee also include approving related-party transactions as required by law. Under Israeli law, an Audit Committee may not approve an action or a transaction with a controlling shareholder, or with an office holder, unless at the time of approval two outside directors are serving as members of the Audit Committee and at least one of the outside directors was present at the meeting in which an approval was granted.

The Audit Committee reviewed our audited financial statements for the year ended December 31, 2007 and members of the committee met with both management

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and our external auditors to discuss those financial statements. Management and the external auditors have represented to the Audit Committee that the financial statements were prepared in accordance with the generally accepted accounting principles. Members of the Audit Committee have received from and discussed with the external auditors their written disclosure and letter regarding their independence from our company as required by Independence Standards Board Standard No. 1. Members of the Audit Committee also discussed with the external auditors any matters required to be discussed by Statement on Auditing Standards No. 61. Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 20-F for the year ended December 31, 2007.

### Compensation

The following table sets forth all compensation we paid with respect to all of our directors and executive officers as a group for the year ended December 31, 2007.

	Salaries, fees, commissions and bonuses	Pension, retirement and similar benefits
	-----	-----
All directors and executive officers as a group, consisting of 12 persons....	\$730,516	\$268,844

During the year ended December 31, 2007, we paid each of our outside directors a per meeting attendance fee of NIS 1,000 (approximately \$243) plus an annual fee of NIS 18,000 (approximately \$4,382).

As of December 31, 2007, our directors and executive officers as a group, consisting of twelve persons, held options to purchase an aggregate of 626,666 ordinary shares, at exercise prices ranging from \$2.07 to \$4.02 per share, vesting over three years. These options were issued under our 2003 Stock Option Plan and expire in 2013. In 2007, 83,333 options having an exercise price of \$2.91 were granted under the 2003 Plan.

### Stock Option Plans

#### 1999 Stock Option Plan

Our 1999 Stock Option Plan, or the 1999 Plan, provides for the issuance of stock options to purchase an aggregate of 108,400 of our ordinary shares. The 1999 Plan, authorizes the issuance of options to key employees and consultants, including officers and directors of our company and its subsidiaries, who, are in position to contribute significantly to our success, in the judgment of the board of directors or, if appointed in the future, a committee which will administer the 1999 Plan. The board of directors or the committee will determine the number of shares covered by each option, and the formulation, within the limitations of the 1999 Plan, of the form of option.

Options

granted under the 1999 Plan may be for a maximum term of ten years from the date of grant. The exercise price of an option granted to an employee may not be less than 60% of the fair market value of our ordinary shares on the date of grant of the option. The exercise price of an option to a non-employee director or consultant may not be less than 80% of the fair market value of our ordinary shares on the date of grant of the option. If any option expires without having been fully exercised, the shares with respect to which such option has not been

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exercised will be available for future grants.

Options may not be transferable by the optionee otherwise than by will or the laws of descent and distribution and during the optionee's lifetime are exercisable only by the optionee. Options terminate before their expiration dates one year after the optionee's death while in our employ, three months after the optionee's retirement for reasons of age or disability or involuntary termination of employment other than for cause, and immediately upon voluntary termination of employment or involuntary termination of employment for cause. Our board of directors may, at its discretion, modify, revise or terminate the 1999 Plan at any time, except that the aggregate number of shares issuable pursuant to options may not be increased (except in the event of certain changes in our capital structure), the eligibility provisions and minimum option price may not be changed, or the permissible maximum term of options may not be increased without the consent of our shareholders.

The 1999 Plan also contains provisions protecting optionees against dilution of the value of their options in the case of stock splits, stock dividends or other changes in our capital structure, in the event of any proposed reorganization or merger involving our company or in the event of any spin-off or distribution of assets to our shareholders.

As of September 17, 2008 options to purchase 165,400 ordinary shares were granted at an average exercise price of \$9.63 per share. Of such options 93,633 have been cancelled or forfeited. 71,767 options are outstanding and currently exercisable.

### 2003 Stock Option Plan

Our 2003 Stock Option Plan, or the 2003 Plan, provides for the issuance of stock options to purchase an aggregate of 666,667 of our ordinary shares. At the Company's Annual General meeting held in August 2006, shareholder approved a 500,000 share increase in the number ordinary shares available for grant under the plan. Consequently, 1,166,667 shares are subject to this plan. Options under the 2003 Plan may be issued to employees, including officers and directors of our company and its subsidiaries, who in the judgment of the board of directors based on the recommendation of our compensation committee, are in a position to contribute significantly to our success. The provisions of our 2003 Plan are designated to allow for the tax benefits promulgated under the Israeli Income Tax Ordinance [New Version]. Our board of directors has resolved that all options granted to Israeli residents under the 2003 Plan will be taxable under the "capital gains path." Pursuant to this path the profit realized by the employee is taxed as a capital gain (25%) if the options or shares are held by a trustee for at least 24 months from the end of the tax year in which such options were granted. If the shares are sold before the lapse of said 24 months period, the profit is re-characterized as ordinary income. The company is not allowed a corresponding salary expense, even in the event the profit is taxed as ordinary income. Otherwise, the terms of the 2003 Plan are substantially the same as those of the 1999 Plan.

As of September 17, 2008 options to purchase 1,452,000 ordinary shares were granted at an average exercise price of \$2.79 per share. Of such options, 1,075,167 options are outstanding, 51,168 options have been exercised and 325,666 options were cancelled, expired or forfeited.. Options to purchase 743,333 ordinary shares are currently exercisable.

## II. APPOINTMENT OF AUDITORS (Item 2 on the Proxy Card)

Our Board of Directors appointed Kost Forer Gabbay & Kasierer, registered public accountants, a Member of Ernst & Young Global, as our independent public accountants in 1999 and has reappointed the firm as our independent public

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accountants since such time.

At the Meeting, shareholders will be asked to ratify and approve the re-appointment of Kost Forer Gabbay & Kasierer as our independent registered public accountants for the fiscal year ending 2008, pursuant to the recommendation of our Board of Directors. As a result of Kost Forer Gabbay & Kasierer's familiarity with our

7

operations and reputation in the auditing field, our Audit Committee and Board of Directors believe that the firm has the necessary personnel, professional qualifications and independence to act as our independent registered public accountants.

At the Meeting, shareholders will also be asked to authorize our Board of Directors the authority to fix the compensation of our independent registered public accountants, pursuant to the recommendation of our Audit Committee, in accordance with the volume and nature of their services. With respect to fiscal year 2007, we paid Kost Forer Gabbay & Kasierer approximately \$70,000 for audit services.

It is therefore proposed that at the Meeting the following resolution be adopted:

"RESOLVED, that the appointment of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, as the independent registered public accountants of RADA Electronic Industries Ltd., to conduct the annual audit of its financial statements for the year ending December 31, 2008, be and hereby is ratified and approved, and that the Board of Directors be, and it hereby is, authorized to fix the remuneration of such independent registered public accountants, pursuant to the recommendation of our Audit Committee, in accordance with the volume and nature of their services."

The affirmative vote of the holders of a majority of the ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting thereon, will be necessary for shareholder approval of the foregoing resolution.

The Board of Directors recommends a vote FOR the foregoing resolution.

### Audit Committee Pre-Approval Policies and Procedures

Our Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accountants, Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global. Pre-approval of an audit or non-audit service may be given as a general pre-approval, as part of the Audit Committee's approval of the scope of the engagement of our independent auditor, or on an individual basis. The policy prohibits retention of the independent registered public accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the SEC and also requires the Audit Committee to consider whether proposed services are compatible with the independence of the public accountants.

### III. REVIEW AND DISCUSSION OF OUR AUDITOR'S REPORT, DIRECTORS' REPORT, AND THE CONSOLIDATED FINANCIAL STATEMENTS

At the Meeting, our auditor's report and the consolidated financial statements for the year ended December 31, 2007 will be presented. We will hold a discussion with respect to the financial statements at the Meeting. This item

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will not involve a vote of the shareholders.

COPIES OF THE ANNUAL REPORT WILL BE MAILED WITHOUT CHARGE TO ANY SHAREHOLDER ENTITLED TO VOTE AT THE MEETING, UPON WRITTEN REQUEST TO: RADA ELECTRONIC INDUSTRIES LTD., 7 GIBOREI ISRAEL STREET, POLEG INDUSTRIAL ZONE, NETANYA, ISRAEL, ATTENTION: ELAN SIGAL, CHIEF FINANCIAL OFFICER.

By Order of the Board of Directors,

Herzle Bodinger,  
President and Chairman of the Board of Directors

Dated: September 18, 2008

8

ITEM 2

RADA ELECTRONIC INDUSTRIES LIMITED  
7 GIBOREI ISRAEL STREET  
NETANYA 42504, ISRAEL

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoint(s) Herzle Bodinger and Sarit Molcho, or either of them, attorneys or attorney of the undersigned, for and in the name(s) of the undersigned, with power of substitution and revocation in each to vote any and all ordinary shares, par value NIS 0.015 per share, of RADA Electronic Industries Limited (the "Company"), which the undersigned would be entitled to vote as fully as the undersigned could if personally present at the Annual General Meeting of Shareholders of the Company to be held on Wednesday, October 27, 2008 at 10:00 a.m. (Israel time) at the principal offices of the Company, 7 Giborei Israel Street, Netanya 42504, Israel, and at any adjournment or adjournments thereof, and hereby revoking any prior proxies to vote said shares, upon the following items of business more fully described in the notice of and proxy statement for such Annual General Meeting (receipt of which is hereby acknowledged):

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS SPECIFIED. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE NOMINEE FOR CLASS C DIRECTOR AND

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PROPOSAL 2 SET FORTH ON THE REVERSE.

(Continued and to be signed on the reverse side)

ANNUAL GENERAL MEETING OF SHAREHOLDERS OF  
RADA ELECTRONIC INDUSTRIES LIMITED  
October 27, 2008

Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.

Please detach along perforated line and mail in the envelope provided.

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-----  
THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE  
NOMINEE FOR CLASS C DIRECTOR AND PROPOSAL 2.  
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.  
PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]  
-----

1. The election of one Class C director for a term expiring at the Company's 2011 Annual General Meeting of Shareholders.

NOMINEE:

	FOR	AGAINST	ABSTAIN
ADRIAN BERG	[ ]	[ ]	[ ]

2. To ratify the reappointment of Kost Forer Gabbay & Kasierer, independent certified public accountants in Israel, a member firm of Ernst & Young Global, as the Company's independent registered public accountants for the year ending December 31, 2008 and to authorize its Board of Directors to determine their compensation based on the recommendation of the Company's Audit Committee.

[ ] FOR                    [ ] AGAINST                    [ ] ABSTAIN

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. [ ]

Signature of Shareholder \_\_\_\_\_ Date \_\_\_\_\_  
Signature of Shareholder \_\_\_\_\_ Date \_\_\_\_\_

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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.

Rada Electronic Industries Ltd.  
(Registrant)

By: /s/Herzle Bodinger  
-----  
Herzle Bodinger  
President and Chairman

Date: October 2, 2008