

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS GOVERNING SECURITIES  
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.**

**SUMMARY PLAN DESCRIPTION**

**FOR THE**

**SIERRA WIRELESS, INC.  
AMENDED AND RESTATED 1997 STOCK OPTION PLAN**

**FOR ELIGIBLE OPTION HOLDERS ONLY**

## **ITEM 1**

### **General Plan Information**

Sierra Wireless, Inc. (the “**Corporation**”) first adopted the Sierra Wireless, Inc. 1997 Stock Option Plan (the “**Plan**”) on February 14, 1997. The Plan was approved by the Corporation’s Board of Directors (the “**Board**”) and its shareholders. The Plan was subsequently amended February 19, 1998, November 11, 1998, May 17, 1999, May 5, 2000, April 20, 2001 and April 18, 2002. The Plan was then amended and restated to its current form on April 25, 2005. The principal purpose of the Plan is to provide incentives to attract, retain and motivate eligible persons whose contributions are important to the success of the Corporation. This is done through the granting of options to directors, employees, independent contractors and consultants of the Corporation, which options enable the recipients to acquire common shares of the Corporation (the “**Shares**”).

A general summary of U.S. tax treatment is provided herein under the heading “Federal Income Tax Information.” However, we caution our option holders to obtain their own tax advice, as tax laws are continuously changing, and we cannot advise you on your particular circumstances.

The Plan is administered by a committee appointed by the Board, or by the Board itself if it does not appoint a committee. (Hereafter the term “Committee” will be used to refer to the entity in charge of administering the Plan.) Questions about the Plan may be emailed to ESOPHelp@sierrawireless.com. Option holders may also obtain additional information by contacting the Vice-President Human Resources or Vice-President Finance at the following address and telephone numbers:

Sierra Wireless, Inc.  
13811 Wireless Way  
Richmond, British Columbia  
Canada V6V 3A4  
Vice President Human Resources 604-232-1476 OR  
Vice President Finance 604-231-1118

Subject to the express provisions of the Plan, and to the direction of the Board, the Committee has the full power, to implement and carry out the Plan including, the authority to select eligible persons to receive options and to determine the form and terms of such options. Subject to the express provisions of the Plan, the Committee also has authority to construe and interpret the Plan, to determine the form and terms of each Stock Option Certificate, and to make all other determinations necessary or advisable for the administration of the Plan. All such actions and determinations by the Committee shall be final and binding on the Corporation and on all persons.

Subject to the ability of the Board, with shareholder approval, to terminate the Plan in accordance with the terms thereof, the Plan shall remain in effect until April 25, 2015 unless extended by the Board and approved by the shareholders.

### **Securities to be Offered**

The total number of shares issuable under the Plan is a rolling total equal to 10% of the number of issued and outstanding Shares from time to time, provided that no more than 4,136,118 Shares will be available for grant and issuance under the Plan without the Corporation first obtaining shareholder approval.

The number of Shares reserved for issuance to any one person pursuant to Options granted under the Plan shall not exceed 5% of the issued and outstanding Shares. The number of Shares which may be reserved for issuance pursuant to the Plan (together with those Shares which may be issued pursuant to any other

share compensation arrangement of the Corporation) to all insiders of the Corporation shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time. The number of Shares which may be issued pursuant to the Plan (together with those Shares which may be issued pursuant to any other share compensation arrangement of the Corporation) to all insiders of the Corporation, within a one-year period, shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time. The number of Shares which may be issued pursuant to the Plan (together with those Shares which may be issued pursuant to any other share compensation arrangement of the Corporation) to any one insider of the Corporation and such insiders' associates, within a one year period, shall not exceed 5% of the Shares outstanding on a non-diluted basis from time to time.

### **Employees Who May Participate in the Plan**

Persons eligible to participate under the Plan are: full-time employees or independent contractors of the Corporation, or part-time employees or independent contractors of the Corporation working not less than 20 hours per week; consultants to the Corporation in respect of whom the Corporation is permitted to grant options; or outside directors of the Corporation (“**Participant(s)**”)

### **Purchase of Securities Pursuant to the Plan and Payment for Securities Offered**

***Determining the Exercise Price for Shares under the Plan:*** The exercise price of an Option will be determined by the Committee when the Option is granted and shall not be less than the closing market price of the Shares on the Toronto Stock Exchange (trading symbol: SW) on the date prior to the date the Option is granted.

***Vesting of Options:*** Unless an individual Stock Option Certificate provides otherwise, Options shall vest as follows:

- (a) subject to paragraph (b), Options shall not vest nor be exercisable with respect to any Shares until the first anniversary of the date on which the Board determines that vesting shall commence, on which anniversary date the Options will become vested and exercisable with respect to 12/48<sup>ths</sup> of the Shares and thereafter at the end of each full succeeding consecutive month after the first vesting date, the Options will become vested and exercisable as to an additional 1/48<sup>th</sup> of the Shares; and
- (b) in the case of any employee on sick leave or any other approved leave of absence which is not a “termination” under the Plan, the Committee may make such provisions respecting suspension of vesting of the Options during the period of sick leave or leave of absence as it may deem appropriate, except that in no event may Options be exercised after the expiration of the term set forth in the Stock Option Certificate.

If the application of vesting causes Options to become exercisable with respect to a fractional share, such Share shall be rounded down to the nearest whole Share. The Committee may also provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or a percentage of Shares as the Committee determines.

***Term of Options:*** Options shall expire on the expiration date set forth in the Stock Option Certificate and must be exercised, if at all, on or before the expiration date. In no event shall the expiration date be more than ten years after the date of grant.

***Modification, Extension or Renewal:*** The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not,

without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted.

**Limitations on Exercise:** The Committee may specify a reasonable minimum number of Shares that may be purchased on exercise of an Option, provided that such minimum number will not prevent a Participant from exercising the Option for the full number of Shares for which it is then exercisable.

**Termination:** Notwithstanding the exercise periods set forth in the Stock Option Certificate, exercise of an Option will always be subject to the following:

- (a) if the Participant's continuous service to the Corporation is terminated for any reason other than the Participant's death or disability, then the Participant may exercise his or her Options (but only to the extent that such Options would have been vested and exercisable upon the termination date) no later than three months after the termination date (but in any event, no later than the expiration date) or such other period as may be specified in the Stock Option Certificate; and
- (b) if the Participant's continuous service to the Corporation is terminated because of the Participant's death or disability, then the Participant's Options may be exercised (but only to the extent that such Options would have been vested and exercisable by the Participant on the termination date) by the Participant (or the Participant's legal representative or authorized assignee) no later than 12 months after the termination date (but in any event no later than the expiration date) or such other period as may be specified in the Stock Option Certificate.

**Exercise of Options:** Options may be exercised only by delivery to the Corporation of a written stock option exercise agreement (the "**Exercise Agreement**") in a form approved by the Committee (which need not be the same for each Participant), stating the Participant's election to exercise the Option, the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Corporation to comply with applicable securities laws, together with payment in full of the exercise price, and any applicable taxes, for the number of Shares being purchased. If someone other than the Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Corporation that such person has the right to exercise the Option. The Option may not be exercised unless such exercise is in compliance with all applicable securities laws, as they are in effect on the date of exercise. For further details on how to exercise options under the cash and cashless methods, refer the "Stock Option Process" document on the intranet under the finance department.

**Amendment of the Plan:** Subject to the express provisions of this Plan, the Committee has full power to prescribe, amend and rescind rules and regulations relating to the Plan. The Board may at any time terminate or amend the Plan in any respect; provided however, that the Board will not, without the approval of the shareholders of the Corporation, amend the Plan in any manner that requires shareholder consent.

**Dividends, Mergers, Reorganizations, Subdivisions, Consolidations or Changes in Capital Structure:** The Plan provides that in the event that the number of outstanding shares of the Corporation is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, consolidation, combination, reclassification or similar change in the capital structure of the Corporation without consideration, then the number of Shares reserved for issuance under the Plan, the number of Shares subject to outstanding Options and the exercise prices of outstanding options will be proportionately adjusted, subject to any required action by the Board or the shareholders of the Corporation and

compliance with applicable securities laws. Similarly, in the event of a merger or consolidation in which the Corporation is not the surviving corporation, a merger in which the Corporation is the surviving corporation but in which the shareholders of the Corporation immediately prior to such merger cease to own their Shares or other equity interests in the Corporation, or the sale of substantially all of the assets of the Corporation, any or all outstanding Options may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants or, in the alternative, the successor corporation may substitute equivalent Options or provide substantially similar consideration to Participants as was provided to shareholders (after taking into account the existing provisions of the Options).

**Applicability of ERISA; Source of Shares:** The Plan is not subject to the U.S. law known as the Employee Retirement Income Security Act of 1974 (“ERISA”). The Shares utilized for purposes of satisfying commitments under the Options granted under the Plan will come from authorized but unissued shares of the Corporation.

### **Transfer and Resale Restrictions**

Participants in the Plan will not have the rights of a shareholder with respect to the Shares until the Shares are issued as evidenced by the appropriate entry on the securities register of the Corporation. After a participant receives Shares in connection with the exercise of an Option, the shares are eligible to be resold in the public markets, by virtue of the Corporation having filed a Form S-8 with the Securities and Exchange Commission. However, notwithstanding the Corporation’s having filed a Form S-8 with the Securities and Exchange Commission, resale of the Shares by certain holders referred to as “affiliates” may be subject to certain restrictions and conditions described in the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the rules of the Securities and Exchange Commission.

The certificates representing the Shares issued on exercise of an Option will not bear a restrictive legend.

### **Tax Effects of Plan Participation**

THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. EACH OPTION HOLDER SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING HIS OR HER OPTION OR DISPOSING OF THE SHARES.

#### ***U.S. Federal Income Tax Information***

The following is a general summary of the U.S. federal income tax consequences associated with the grant and exercise of Plan Options. These consequences apply to the Corporation and option holders who are either U.S. residents or citizens. The described tax consequences are based upon the current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), all of which are subject to change, which change could be retroactive. The exercise of Plan Options may also trigger income tax consequences under the laws of individual states. Option holders should consult with their own tax advisors to determine the tax consequences associated with a particular state.

The Code contemplates two types of stock options – options that meet certain requirements, and thereby qualify for special tax treatment (commonly referred to as “Qualified Stock Options” or “Incentive Stock Options”), and options that do not qualify for special tax treatment (commonly referred to as “Nonqualified Stock Options”). Grants of Options under the Plan will be designated as Incentive Stock Options or Nonqualified Stock Options for U.S. federal income tax purposes. In general, under the Code there is no taxable income to a Participant upon the grant of an Incentive Stock Option or a Nonqualified Stock Option, provided the exercise price is no less than fair market value, determined as of the date of

grant. Options granted under the plan are intended to have an exercise price no less than fair market value.

### ***Exercise of Incentive Stock Option and Sale of Shares***

Upon the exercise of an Incentive Stock Option, the Participant does not recognize any taxable income, provided the Participant holds the resulting Shares until the later of (a) two years from the date of grant or (b) one year from the date of exercise. If the Participant holds the Shares for the required time period, then upon the ultimate sale or disposition of the Shares, the amount of gain, if any, will be measured by the proceeds received upon the sale or disposition, less the exercise price paid by the Participant, which gain will be treated as long-term capital gain and taxed at a maximum rate of 15%. If the Participant sells or otherwise disposes of the Shares prior to the end of the minimum holding period, then at the time of the sale or disposition, a portion of the gain (if any) will be treated as compensation, and taxed at ordinary income rates, up to a maximum of 35%. The portion that is taxed as compensation will be the amount equal to the fair market value of the Shares, determined as of the date the Option was exercised, less the exercise price paid. The remaining portion of the gain (if any) recognized upon the sale or other disposition will be treated as capital gains. If the Shares were held for less than 12 months, the capital gain, if any, recognized by the Participant on a sale or other disposition would be taxed at short-term capital gain rates, which are the same as ordinary income rates, with a maximum rate of 35%. If the Shares were held for more than 12 months, any gain would constitute long-term capital gain, taxed at a maximum rate of 15%.

To receive the special tax treatment associated with Incentive Stock Options, the option holder must be an employee of the Corporation at the time of exercise, or within three months of the time of exercise. (In other words, if an option holder terminates employment with the Corporation and holds Incentive Stock Options, he or she would need to exercise those options within three months of termination of employment to qualify for Incentive Stock Option treatment.)

Although the exercise of an Incentive Stock Option does not trigger any income tax, the amount (if any) equal to the fair market value of the Shares, measured as of the date of exercise, less the exercise price paid, is treated as income for purposes of the alternative minimum tax under the Code. The Code's rules calculating the alternative minimum tax are quite complex, and individual option holders should consult with their tax advisors.

The Corporation is not entitled to any deductions upon an optionee's exercise of an Incentive Stock Option. Similarly, no deduction is afforded the Corporation if a Participant sells the Shares acquired upon exercise of an Incentive Stock Option if the Shares have been held for the minimum holding period. On the other hand, if an optionee exercises an Incentive Stock Option and sells or otherwise disposes of the resulting Shares prior to satisfying the minimum holding period, then the Corporation is entitled to a deduction equal to the amount of ordinary income that the Participant must include in his or her taxable income.

### ***Exercise of Nonqualified Stock Option and Sale of Shares***

Upon the exercise of a Nonqualified Stock Option, the Participant recognizes income equal to the excess of the fair market value of the Shares on the date of exercise over the exercise price paid for the Shares, unless the Shares are subject to a substantial risk of forfeiture. If the Shares are subject to a substantial risk of forfeiture, the Participant generally does not recognize income until the restriction lapses, although the Participant may elect to recognize income on the date of exercise by making a timely election under Code Section 83(b). To be timely the election must be made within 30 days. Any income recognized in connection with the exercise of a Nonqualified Stock Option is treated as compensation and taxed at ordinary income rates. Because the taxable income constitutes compensation, the Corporation may be

required to withhold income and payroll taxes in connection with the exercise of a Nonqualified Stock Option. The Corporation may satisfy its withholding obligations by withholding from other amounts owed to the Participant, or by requiring the Participant to provide adequate funds to satisfy the withholding obligations before completing the Option exercise and transferring any certificates representing the Shares.

Upon the exercise of a Nonqualified Stock Option, the Participant generally acquires a tax basis in the Shares equal to the fair market value of the Shares on the date of exercise. Upon the subsequent sale or other disposition of the Shares, the Participant will recognize capital gain or loss, assuming the Shares were a capital asset in the Participant's hands. The amount of the gain or loss will be equal to the difference between the tax basis of the Shares and the amount realized upon disposition. If the Shares were held for less than 12 months, the capital gain, if any, recognized by the Participant on a sale or other disposition would be taxed at short-term capital gains rates, which are the same as ordinary income rates, with a maximum rate of 35%. If the Shares were held for more than 12 months, any gain would constitute long-term capital gain, taxed at a maximum rate of 15%.

The Corporation is not entitled to any deduction associated with an optionee's sale of the Shares acquired through the exercise of a Nonqualified Stock Option granted under the Plan.

The Plan is not qualified under Section 401(a) of the Code (which is a Code provision that governs retirement plans).

**Assignment of Interest:** Options granted under the Plan may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent (except for transfers to trusts created by the Participant for the benefit of family members, to certain family members of the Participant or to a company all of the shares of which are owned by the Participant).

## ITEM 2

### **Registrant Information and Employee Plan Annual Information**

The following documents, which have previously been filed by the Corporation with the Securities and Exchange Commission (the "**Commission**"), are incorporated by reference and made a part of this prospectus, will be provided to Participants, without charge, upon written or oral request by contacting Vice President Finance, at the address below. Filings with the Commission may also be viewed at [www.sec.gov](http://www.sec.gov) and linking to the EDGAR database.

Sierra Wireless, Inc.  
13811 Wireless Way  
Richmond, British Columbia  
CANADA V63 EA4  
(604) 231-1118

1. Annual Report on Form 40-F for the fiscal year ended December 31, 2006 (the "**Annual Report**"), filed under the Securities Exchange Act of 1934;
2. Reports of Foreign Issuer on Form 6-K, filed with the Commission under the Securities Exchange Act of 1934 since the date of filing of the Annual Report;
3. The description of Shares of the Corporation contained in the Registrant's Annual Report, including amendments or reports filed for the purpose of updating such description;

4. All documents filed by the Corporation pursuant to Sections 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the Annual Report; and
5. All documents filed by the Corporation pursuant to Rule 428(b)(1) of the Securities Act of 1933.