SIERRA WIRELESS INC
Form 6-K
March 29, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign issuer

Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the Month of March 2005

(Commission File. No 0-30718).

SIERRA WIRELESS, INC., A CANADA CORPORATION

(Translation of registrant s name in English)

13811 Wireless Way

Richmond, British Columbia, Canada V6V 3A4

(Address of principal executive offices and zip code)

Registrant s Telephone Number, including area code: **604-231-1100**

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

Form 20-F o 40-F ý

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: o No: ý

SIGNATURES

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.

Sierra Wireless, Inc.

By:	/s/ David G. McLennan David G. McLennan, Chief Financial Officer and Secretary

Date: March 27, 2006

SIERRA WIRELESS, INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the Meeting) of shareholders of Sierra Wireless, Inc. (the Corporation) will be held at the Corporation s head office at 13811 Wireless Way, Richmond, British Columbia, on Tuesday, April 25, 2006 at 10:00 a.m. (Vancouver time) for the following purposes:

1. To receive the report of the directors;

2. To receive the consolidated financial statements for the year ended December 31, 2005 and the auditors report thereon;

3. To appoint KPMG LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors to fix the auditors remuneration;

4. To elect directors for the ensuing year;

5. To consider and, if deemed advisable, pass an ordinary resolution authorizing and approving the continuation and the amendment and restatement of the Corporation s Shareholder Rights Plan; and

6. To transact such other business as may be properly brought before the Meeting.

Further details of the above matters are set out in the attached Information Circular.

DATED at Richmond, British Columbia, this 27 day of March, 2006.

By Order of the Board of Directors

David G. McLennan
David G. McLennan,
Chief Financial Officer and Secretary

IMPORTANT

Only holders of common shares of the Corporation of record at the close of business on March 17, 2006 are entitled to notice of the Meeting and only those holders of common shares of the Corporation of record at the close of business on March 17, 2006 are entitled to vote at the Meeting. Shareholders who are unable to attend the Meeting in person are requested to complete, sign, date and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Information Circular accompanying this Notice.

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Corporation, Computer Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, no later than 4:00 p.m. (Vancouver time) two (2) days (excluding Saturdays, Sundays, and statutory holidays) preceding the Meeting or any adjournment of the Meeting.

SIERRA WIRELESS, INC.

13811 Wireless Way

Richmond, British Columbia Canada V6V 3A4

INFORMATION CIRCULAR

As at March 27, 2006

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management (the Management) of Sierra Wireless, Inc. (the Corporation) for use at the annual meeting (the Meeting) of shareholders of the Corporation (and any adjournment thereof) to be held on Tuesday, April 25, 2006 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors and regular employees of the Corporation. All costs of solicitation will be borne by the Corporation.

Appointment of Proxyholder

The individuals named in the accompanying form of proxy are the Chief Executive Officer (or CEO) and Chief Financial Officer of the Corporation. **A shareholder may appoint some other person (who need not be a shareholder) to attend and act on the shareholder s behalf at the Meeting. To exercise this right, the shareholder may either insert the name of such other person in the blank space provided in the form of proxy or complete and submit another form of proxy**.

A person or company whose name appears on the books and records of the Corporation is a registered shareholder. A non-registered shareholder is a beneficial owner of common shares of the Corporation whose shares are registered in the name of an intermediary (such as a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates).

Registered Shareholders

A registered shareholder can vote common shares of the Corporation (Common Shares) owned by it at the Meeting either in person at the Meeting or by proxy. A registered shareholder who wishes to vote in person at the Meeting should not complete or return the form of proxy included with this Information Circular. Those registered shareholders choosing to attend the Meeting will have their votes taken and counted at the Meeting. A registered shareholder who does not wish to attend the Meeting or does not wish to vote in person should properly complete and deliver the enclosed form of proxy, and the Common Shares represented by the shareholder s proxy will be voted or withheld from voting in accordance with the instructions indicated on the form of proxy, or any ballot that may be called at the Meeting or any adjournment thereof.

A registered shareholder may submit his or her proxy by mail or by facsimile in accordance with the instructions below.

Voting by Mail. A registered shareholder may vote by mail by completing, dating and signing the enclosed form of proxy and returning it using the envelope provided or otherwise to the attention of the Corporation s transfer agent at the Proxy Department of Computer Investor Services Inc., 100 University Avenue, 9^{th} Floor, Toronto, Ontario, Canada, M5J 2Y1.

Voting by Facsimile. A registered shareholder may vote by facsimile by completing, dating and signing the enclosed form of proxy and returning it by facsimile to Computer Investor Services Inc. at (416) 263-9524.

To be effective, a proxy must be received by Computershare no later than 4:00 p.m. (Vancouver time) two (2) days (excluding Saturdays, Sundays, and statutory holidays) preceding the Meeting or any adjournment of the Meeting.

Non-Registered Shareholders

The Corporation has distributed copies of this Information Circular to intermediaries for distribution to non-registered shareholders. Unless the non-registered shareholder has waived his rights to receive these materials, an intermediary is required to deliver them to the non-registered shareholder and to seek instructions on how to vote the Common Shares beneficially owned by the non-registered shareholder. In many cases, intermediaries will have used a service company to forward these Meeting materials to non-registered shareholders.

Non-registered shareholders who receive these Meeting materials will typically be given the ability to provide voting instructions in one of two ways.

Usually a non-registered shareholder will be given a voting instruction form which must be completed and signed by the non-registered shareholder in accordance with the instructions provided by the intermediary. In this case, a non-registered shareholder ***cannot*** use the mechanisms described above for registered shareholders and ***must*** follow the instructions provided by the intermediary (which in some cases may allow the completion of the voting instruction form by telephone or the Internet).

Occasionally, however, a non-registered shareholder may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares beneficially owned by the non-registered shareholder but is otherwise not completed. This form of proxy does not need to be signed by the non-registered shareholder. In this case, the non-registered shareholder can complete the proxy and vote by mail or facsimile only, as described above for registered shareholders.

These procedures are designed to enable non-registered shareholders to direct the voting of their Common Shares. Any non-registered shareholder receiving either a form of proxy or a voting instruction form who wishes to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), should strike out the names of the persons identified in the form of proxy as the proxyholder and insert the non-registered shareholder s (or such other person s) name in the blank space provided or, in the case of a voting instruction form, following the corresponding instructions provided by the intermediary. **In either case, the non-registered shareholder should carefully follow the instructions provided by the intermediary.**

Revocation of Proxy

A shareholder may revoke a proxy by delivering an instrument in writing executed by the shareholder or the shareholder s attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney for the corporation, either to the registered office of the Corporation at Suite

2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, British Columbia, V7X 1L3, at any time up to 4:00 p.m. (Vancouver time) two (2) days (excluding Saturdays, Sundays, and statutory holidays) preceding the Meeting, or if adjourned, any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting before any vote in respect of which the proxy is to be used shall have been taken or in any other manner provided by law.

A revocation does not affect any matter on which a vote has been taken prior to the revocation. A shareholder of the Corporation may also revoke a proxy by signing a form of proxy bearing a later date and returning such proxy and delivering it to Computer Investor Services Inc. as aforesaid at any time up to 4:00 p.m. (Vancouver time) two (2) days (excluding Saturdays, Sundays, and statutory holidays) preceding the Meeting or any adjournment thereof.

A person duly appointed under a form of proxy will be entitled to vote the Common Shares represented thereby only if the form of proxy is properly completed and delivered in accordance with the requirements set out above under the heading Appointment of Proxyholder and such proxy has not been revoked.

Voting of Proxies and Discretionary Authority

Unless specifically directed in the form of proxy to withhold the Common Shares represented by the form of proxy from a ballot or show of hands, the proxies named in the accompanying form of proxy shall vote the shares represented by the form of proxy on each ballot or show of hands. Where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares will be voted in accordance with the specifications so made.

In the absence of any instructions on the proxy or if such instructions are unclear, shares represented by the form of proxy will be voted in favour of each matter identified on the form of proxy, in each case as more particularly described elsewhere in this Information Circular.

The enclosed form of proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other matter of business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgement on such matter of business. At the time of the printing of this Information Circular, Management knows of no such amendment, variation or other matter which may be presented at the Meeting.

Interest of Certain Persons in Matters to be Acted Upon

Other than as disclosed in this Information Circular, no director or senior officer, past, present or nominated, or any associate or affiliate of such persons, or any person on behalf of whom this solicitation is made, has any interest, direct or indirect, in any matter to be acted upon at the Meeting, except to the extent that such persons may be directly involved in the normal business of the Meeting or the general affairs of the Corporation.

Voting Securities and Principal Holders Thereof

The Corporation is authorized to issue an unlimited number of common shares in the capital of the Corporation of which, as of the date of this Information Circular, 25,502,170 Common Shares are issued and outstanding as fully paid and non-assessable shares. The holders of Common Shares are entitled to one (1) vote for each Common Share held. The Corporation is also authorized to issue an unlimited number of preference shares issuable in series, of which none are issued and outstanding.

Any shareholder of record at the close of business on March 17, 2006 (the Record Date) who either personally attends the Meeting or who has completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or have his Common Shares voted at the Meeting.

MATTERS TO BE ACTED UPON AT THE MEETING

Appointment of Auditors

At the meeting, holders of Common Shares will be requested to vote on the re-appointment of KPMG LLP, Chartered Accountants, as auditors of the Corporation until the close of the next annual meeting of shareholders and authorize the Audit Committee to determine their remuneration. KPMG LLP have been the auditors of the Corporation since the fiscal year ended December 31, 1997. For the fiscal year ended December 31, 2005 the Corporation paid KPMG LLP fees for audit services of U.S.$297,000. In addition, KPMG LLP was paid U.S.$212,000 by the Corporation for tax services and U.S.$23,000 for audit-related services.

Election of Directors

The term of office of each of the present directors expires at the Meeting. The Board of Directors presently consists of nine (9) directors and it is intended to elect eight (8) directors for the ensuing year. In October 2005, the Board of Directors was increased from eight to nine directors with the appointment of the Corporation s new CEO, Jason Cohenour. At the request of the Board of Directors, the former CEO, David Sutcliffe, continues to serve the Corporation in a non-management capacity as a member of the Board. Due to other business commitments, one director, Nadir Mohamed, has chosen not to stand for re-election at the Meeting. At the current time, the Corporation is not nominating a replacement and, accordingly, the directors have determined that the number of proposed nominees for the Meeting will be eight (8) directors. Each director elected will hold office until the next annual meeting of the Corporation or until his or her successor is elected or appointed, unless his or her office is earlier vacated, in accordance with the By-laws of the Corporation or with the provisions of the *Canada Business Corporations Act*.

The persons named below will be presented for election at the Meeting as Management s nominees for the Board of Directors, and the proxyholders named in the accompanying form of proxy intend to vote for the election of these nominees. Management does not contemplate presenting for election any person other than these nominees but, if for any reason Management does present another nominee for election, the proxyholders named in the accompanying form of proxy reserve the right to vote for such other nominee in their discretion unless the shareholder has specified otherwise in the form of proxy.

The following table sets out the names of the nominees for election as directors, the province or state and country in which each is ordinarily resident, all offices of the Corporation now held by each of them, their present principal occupations, their principal occupation within the five preceding years and the number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercises control or direction, as at the date hereof.

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Name, Position and Residence	Principal Occupation or Employment	Director Since	No. of Common Shares
Jason W. Cohenour President, CEO and Director Washington, U.S.A.	President and Chief Executive Officer of the Corporation since October 2005. Chief Operating Officer of the Corporation from August 2004 to October 2005, Senior Vice President, Worldwide Sales of the Corporation from 2000 to August 2004	October 2005	38,801(1)
Gregory D. Aasen Director British Columbia, Canada	Chief Strategy Officer of PMC-Sierra, Inc. from September 2005 to present; Vice-President and General Manager, Communication Products Division of PMC-Sierra, Inc. from 2004 to September 2005,; Chief Operating Officer of PMC-Sierra, Inc. from 1997 to 2004 and Chief Technology Officer of PMC-Sierra, Inc. from 2003 to 2004	December 1997	20,000(2)
Paul G. Cataford* Director Alberta, Canada	President and Chief Executive Officer of University Technologies International Inc. from 2004 to present; Managing Partner of HorizonOne Asset Management from December 2002 to 2004; Consultant from March 2002 to December 2002; Executive Managing Director of BMO Nesbitt Burns Equity Partners Inc. from 2001 to 2002; Managing Director and President BCE Capital Inc. from 1997 to 2001	July 1998	3,988(3)
Peter Ciceri Chairman and Director British Columbia, Canada	Corporate Director and principal of Peter Ciceri & Associates Executive Coaching and Business Counselling Services from 2001 to present; President of Rogers Telecom, Inc. from 2000 to 2001	February 2000	9,500(4)
Charles E. Levine Director California, U.S.A.	Independent Outside Director of @Road, Inc., Somera Communications, Inc., Viisage Technology, Inc. and Lexar Media; Inc., President and Chief Operating Officer of Sprint PCS from 2000 to 2002	May 2003	9,500(5)
S. Jane Rowe* Director Ontario, Canada	President and Chief Executive Officer of Roynat Capital from 2004 to present; Senior Vice President, Global Risk Management Division of Scotiabank from 2002 to 2004; Managing Director and Co-Head of Scotia Merchant Capital Corporation from 1997 to 2002	March 1998	50,156(6)

Name, Position and Residence	Principal Occupation or Employment	Director Since	No. of Common Shares
David B. Sutcliffe Director British Columbia, Canada	Corporate director. Chief Executive Officer of the Corporation from May 1995 through October 2005.	June 1995	187,337(7)
Kent Thexton Director British Columbia, Canada	President and Chief Executive Officer of SEVEN Networks, Inc. from June 2005 to present; Co-Chief Executive Officer of SEVEN Networks from April 2004 to June 2005; Chief Data and Marketing Officer of O2 and President of O2 Online from 2001 to 2004; President of Genie from 2000 to 2001	March 2005	Nil(8)

Notes:

* Member of the Audit Committee. Nahir Mohamed, who has decided not to stand for re-election at the Meeting, is also currently a member of the Audit Committee.

Member of the Human Resources Committee.

Member of the Governance and Nominating Committee.

(1) Excludes options to purchase 8,333 Common Shares at a price of Cdn.$3.33 and an aggregate of 339,050 Common Shares at prices ranging from US $2.23 per Common Share to US $25.64 per Common Share.

(2) Excludes options to purchase an aggregate of 35,000 Common Shares at prices ranging from Cdn.$3.50 per Common Share to Cdn.$34.11 per Common Share.

(3) Excludes options to purchase an aggregate of 37,812 Common Shares at prices ranging from Cdn.$3.50 per Common Share to Cdn.$34.11 per Common Share.

(4) Excludes options to purchase an aggregate of 50,250 Common Shares at prices ranging from Cdn.$3.50 per Common Share to Cdn.$61.75 per Common Share.

(5) Excludes options to purchase an aggregate of 36,000 Common Shares at prices ranging from US $3.90 per Common Share to US $25.64 per Common Share.

(6) Excludes options to purchase an aggregate of 35,000 Common Shares at prices ranging from Cdn.$3.50 per Common Share to Cdn. $34.11 per Common Share.

(7) Excludes options to purchase an aggregate of 158,708 Common Shares at prices ranging from Cdn.$3.50 per Common Share to Cdn.$34.11 per Common Share.

(8) Excludes options to purchase an aggregate of 26,000 Common Shares at prices ranging from Cdn. $9.99 per Common Share to $14.64 per Common Share.

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Approval of the Continuation and Amendment and Restatement of the Shareholder Rights Plan

Background

The Corporation and Montreal Trust Company of Canada (now Computer Investor Services Inc., as successor to Montreal Trust Company of Canada) (the Rights Agent) originally entered into an agreement dated April 27, 2000 to implement a shareholder rights plan, which was approved and confirmed by the shareholders of the Corporation at the annual and special meeting of shareholders of the Corporation held on April 27, 2000. The shareholder rights plan was ratified on April 28, 2003 (the Existing Plan) following receipt of shareholder approval at the Corporation s 2003 annual and special meeting of shareholders.

Under the terms of the Existing Plan, the Existing Plan will expire in accordance with its terms upon the termination of the Corporation s annual meeting of shareholders of the Corporation in 2006. The Corporation has reviewed its Existing Plan for conformity with current practices of Canadian issuers with respect to shareholder rights plan design. Based on its review, the Corporation has determined that, since April 2003, when the Existing Plan was ratified, there have been few changes in those practices. As a result, on March 20, 2006, the Board of Directors resolved to continue the Existing Plan, with certain minor amendments, by approving an amended and restated shareholder rights plan (the Amended Plan) proposed to be dated April 25, 2006, subject to regulatory approval and approval by the Independent Shareholders (as defined in the Existing Plan) at the Meeting. The main change was to revise the definition of Exercise Price from Cdn.$1,000 to three times the Market Price , as is the current practice. Other than that, the Amended Plan is identical to the Existing Plan in all material respects.

An Independent Shareholder is generally any shareholder other than an Acquiring Person (as defined in the Existing Plan) and its associates and affiliates. As of the date of this Information Circular, the Corporation is not aware of any shareholder who would not be considered an Independent Shareholder, and therefore it is anticipated that all shareholders will be eligible to vote their Common Shares on the resolution set forth below.

A summary of the key features of the Amended Plan is attached as Appendix A to this Information Circular. Complete copies of the Existing Plan and the proposed final form of the Amended Plan are available on request from the Corporate Secretary of the Corporation at the address noted on the first page of this Information Circular.

Objectives of the Shareholder Rights Plan

The Corporation is a widely-held corporation with no controlling shareholder. When it first proposed the Existing Plan to the shareholders of the Corporation at the Corporation s 2000 annual and special meeting of shareholders, the Board of Directors considered various strategies, including approval of a shareholder rights plan, to ensure that, in the context of a bid for control of the Corporation through an acquisition of the Corporation s Common Shares, shareholders would be positioned to receive full and fair value for their shares. Of particular concern to the Board of Directors was the widely held view that Canadian securities legislation provided too short of a response time to a corporation that is the subject of an unsolicited bid for control. An inadequate response time has been identified as an impediment to ensuring that shareholders are offered full and fair value for their shares. Also of concern to the Board of Directors was the possibility that, under securities laws, the Corporation s shareholders could be treated unequally in the context of a bid for control. Neither the Existing Plan nor the Amended Plan was put forth in response to or in anticipation of any pending or threatened take over bid, nor to deter takeover bids for control of the Corporation generally. As of the date of this Information Circular, the Board of Directors is not aware of any third party considering or preparing any proposal to acquire control of the

Corporation. Rather, the primary objectives of the Amended Plan, as with the Existing Plan, are to give adequate time for shareholders to properly assess a takeover bid without undue pressure, for the Board of Directors to consider value-enhancing alternatives and to allow competing bids to emerge. Also, the Amended Plan, as with the Existing Plan, was designed to provide shareholders of the Corporation with equal treatment in a bid for control of the Corporation. It was not, and is not, the intention of the Board of Directors to secure the continuance in office of the existing members of the Board of Directors or to avoid an acquisition of control of the Corporation in a transaction that is fair and in the best interest of shareholders. The rights of shareholders under existing laws to seek a change in the Management of the Corporation or to influence or promote action of Management in a particular manner is not affected by the Amended Plan.

In reviewing the Amended Plan, the Board of Directors considered the following concerns inherent in the existing legislative framework governing takeover bids in Canada:

(a) *Time*. Current legislation permits a takeover bid to expire in 35 days. The Board of Directors is of the view that this is not sufficient time to permit shareholders to consider a takeover bid and to make a reasoned and unhurried decision. The Amended Plan provides a mechanism whereby the minimum expiry period for a takeover bid must be 45 days after the date of the bid and the bid must remain open for a further period of 10 Business Days after the Offeror publicly announces that the shares deposited or tendered and not withdrawn constitute more than 50% of the Voting Shares outstanding held by Independent Shareholders (generally, shareholders other than the Offeror or Acquiring Person, their Associates and Affiliates and Persons acting jointly or in concert with the Offeror or Acquiring Person). The Amended Plan is intended to provide shareholders with adequate time to properly evaluate the offer and to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value. Those alternatives could include, if deemed appropriate by the Board of Directors, the identification of other potential bidders, the conducting of an orderly auction or the development of a corporate restructuring alternative which could enhance shareholder value.

(b) *Pressure to Tender*. A shareholder may feel compelled to tender to a bid which the shareholder considers to be inadequate out of concern that failing to tender may result in the shareholder being left with illiquid or minority discounted shares in the Corporation. This is particularly so in the case of a partial bid for less than all shares of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Voting Shares. The Amended Plan provides a shareholder approval mechanism in the Permitted Bid provision which is intended to ensure that a shareholder can separate the tender decision from the approval or disapproval of a particular takeover bid. By requiring that a bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Voting Shares held by Independent Shareholders have been deposited, a shareholder s decision to accept a bid is separated from the decision to tender, lessening the undue pressure to tender typically encountered by a shareholder of a corporation that is the subject of a takeover bid.

(c) *Unequal Treatment*. While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of a corporation may be acquired pursuant to a private agreement in which a small group of shareholders dispose of shares at a premium to market price which premium is not shared with other shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions which may result, over time, in an acquisition of control

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without payment of fair value for control or a fair sharing of a control premium among all shareholders. The Amended Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Voting Shares, to better ensure that shareholders receive equal treatment.

General Impact of the Amended Plan

It is not the intention of the Board of Directors, in continuing the Corporation s shareholder rights plan, to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is fair and in the best interests of shareholders of the Corporation. For example, through the Permitted Bid mechanism, described in more detail in Appendix A, shareholders may tender to a bid which meets the Permitted Bid criteria without triggering the Amended Plan, regardless of the acceptability of the bid to the Board of Directors. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the Board of Directors will continue to be bound to consider fully and fairly any bid for the Corporation s common shares in any exercise of its discretion to waive application of the Amended Plan or redeem the Rights. In all such circumstances, the Board of Directors must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders.

The Amended Plan does not preclude any shareholder from utilizing the proxy mechanism of the *Canada Business Corporations Act* to promote a change in the management or direction of the Corporation, and has no effect on the rights of holders of outstanding voting shares of the Corporation to requisition a meeting of shareholders, in accordance with the provisions of applicable corporate and securities legislation, or to enter into agreements with respect to voting their common shares. The definitions of Acquiring Person and Beneficial Ownership have been developed to minimize concerns that the Amended Plan may be inadvertently triggered or triggered as a result of an overly-broad aggregating of holdings of institutional shareholders and their clients.

The Amended Plan will not interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In addition, the Amended Plan is initially not dilutive and is not expected to have any effect on the trading of common shares. However, if a Flip-In Event occurs and the Rights separate from the common shares, as described in the summary contained in Appendix A, reported earnings per share and reported cash flow per share on a fully-diluted or non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-In Event may suffer substantial dilution.

In summary, the Board of Directors believes that the dominant effect of the Amended Plan will be to enhance shareholder value and ensure equal treatment of all shareholders in the context of an acquisition of control.

Approval by Shareholders

Shareholder approval of the Amended Plan is not required by law but is required by the terms of the Existing Plan and applicable stock exchange rules. The text of the resolution of the shareholders of the Corporation to approve the continued existence of the shareholder rights plan is set forth below:

BE IT RESOLVED, as an ordinary resolution of the shareholders of Sierra Wireless, Inc. (the Corporation), that:

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1. The shareholder rights plan agreement of the Corporation be continued and the Amended and Restated Shareholder Rights Plan Agreement to be made as of April 25, 2006 between the Corporation and Computer Investor Services Inc. which amends and restates the Shareholder Rights Plan Agreement dated April 27, 2000 made between the Corporation and Montreal Trust Company of Canada (now Computer Investor Services Inc. as successor to Montreal Trust Company of Canada) (the Existing Plan) and continues the rights issued under the Existing Plan, be and is hereby ratified, confirmed and approved; and

2. Any director or senior officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

The persons named in the enclosed form of proxy, if named as proxy, intend to vote in favour of the above resolution unless a shareholder has specified in such shareholder s proxy that such shareholder s shares are to be voted against such resolution.

The foregoing resolution must be approved by a simple majority of 50% plus one vote of the votes cast by shareholders.

Recommendation of the Board of Directors

The Board of Directors has determined that it is in the best interests of the Corporation and the holders of its Common Shares to have a shareholder rights plan in the form of the Amended Plan. The Board of Directors unanimously recommends that the shareholders vote in favour of the reconfirmation and approval of the Amended Plan.

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all Common Shares held by them in favour of the reconfirmation and approval of the Amended Plan.

Canadian Federal Income Tax Consequences

Under the provisions of the *Income Tax Act* (Canada) (the Tax Act), the issue of the Rights, described in more detail in Appendix A, can give rise to a taxable benefit which must be included in the income of shareholders. However, no amount must be included in the income of shareholders if the Rights do not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised.

Critical Accounting Policies

Our discussion and analysis of the Company s financial condition and results of operations are based upon the consolidated condensed financial statements included in this report, which have been prepared in accordance with U. S. generally accepted accounting principles. The preparation of these financial statements requires us to make

estimates and judgments that affect the reported amounts. We evaluate the estimates on an on-going basis. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. We also have policies that we consider to be key accounting policies, such as our policies for revenue recognition, including the deferral of revenues and cost of sales on sales to our distributors, and our stock option granting practices; however, these policies do not meet the definition of critical accounting estimates because they do not generally require us to make estimates or judgments that are difficult or subjective.
We believe the following critical accounting policies involve significant judgments and estimates that are used in the preparation of the consolidated condensed financial statements:

For purposes of determining the variables used in the calculation of stock compensation expense under the provisions of the *Financial Accounting Standards Board s (FASB) Statement of Financial Accounting Standards No. 123(R) (SFAS No. 123(R))*, we perform an analysis of current market data and historical company data to calculate an estimate of implied volatility, the expected term of an option and the expected forfeiture rate. With the exception of the expected forfeiture rate, which is not an input, we use these estimates as variables in the Black-Scholes option pricing model. Depending upon the number of stock options granted, any fluctuations in these calculations could have a material effect on the results presented in our Consolidated Condensed Statement of Operations. In addition, any differences between estimated forfeitures and actual forfeitures could also have a material impact on our financial statements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability or failure of our customers to make required payments. We regularly evaluate our allowance for doubtful accounts based upon the age of the receivable, our ongoing customer relations, as well as any disputes with the customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could have a material effect on our operating results and financial position. Additionally, we may maintain an allowance for doubtful accounts for estimated losses on receivables from customers with whom we are involved in litigation.

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Inventories are recorded at the lower of cost or market, with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand, management judgment and the age of inventory. Actual demand and market conditions may be different from those projected by management, which could have a material effect on our operating results and financial position.

We evaluate the recoverability of property, plant and equipment and intangible assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (*SFAS No. 144*). We test for impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amounts. An impairment loss is recognized in the event the carrying value of these assets exceeds the fair value of the applicable assets. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, which could have a material effect on our operating results and financial position.

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). Goodwill is recorded at the time of an acquisition and is calculated as the difference between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. Accounting for acquisitions requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair value of the net tangible and intangible assets acquired, including in-process research and development (IPR&D). Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The amounts and useful lives assigned to other intangible assets impact the amount and timing of future amortization, and the amount assigned to IPR&D is expensed immediately. If the assumptions and estimates used to allocate the purchase price are not correct, or if business conditions change, purchase price adjustments or future asset impairment charges could be required. In accordance with SFAS No. 142, the Company tests goodwill for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. The value of our intangible assets, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a decline in the valuation of technology company stocks, including the valuation of our common stock, (iii) a significant slowdown in the worldwide economy and the semiconductor industry or (iv) any failure to meet the performance projections included in our forecasts of future operating results. We evaluate these assets, including purchased intangible assets deemed to have indefinite lives, on an annual basis or more frequently if indicators of impairment exist. Evaluations involve management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may be incorrect. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. As previously discussed in Item 1 *Recently Issued Accounting Pronouncements*, SFAS 141 (revised 2007) will change the manner in which the Company accounts for goodwill and other intangible assets acquired through business combinations, and is effective for fiscal years beginning after December 15, 2008. The impact of adopting SFAS 141 (revised 2007) will be dependent on the future business combinations that the Company may pursue after its effective date.

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Our available-for-sale investments, non-marketable securities and other investments are subject to a periodic impairment review pursuant to FASB Staff Position No. FAS 115-1 and FAS 124-1. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. This determination requires significant judgment and actual results may be materially different than our estimate. Marketable securities are evaluated for impairment if the decline in fair value below cost basis is significant and/or has lasted for an extended period of time. Non-marketable securities or other investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. For investments accounted for using the cost method of accounting, we evaluate information (e.g., budgets, business plans, financial statements, etc.) in addition to quoted market price, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all inclusive and we weigh all quantitative and qualitative factors in determining if an other-than-temporary decline in value of an investment has occurred. When a decline in value is deemed to be other-than-temporary, we recognize an impairment loss in the current period s operating results to the extent of the decline. Actual values could be different from those estimated by management, which could have a material effect on our operating results and financial position.

In accordance with Statement of Financial Accounting Standards No. 109 (SFAS No. 109), *Accounting for Income Taxes,* we provide for the recognition of deferred tax assets if realization of such assets is more likely than not. We have provided a valuation allowance against a substantial portion of our net U.S. deferred tax assets due to uncertainties regarding their realization. We evaluate the realizability of our deferred tax assets on a quarterly basis by determining whether or not the anticipated pre-tax income for the upcoming twelve months is expected to be sufficient to utilize the deferred tax assets that we have recognized. If our future income is not sufficient to utilize the deferred tax assets that we have recognized, we increase the valuation allowance to the point at which all of the remaining recognized deferred tax assets will be utilized by the anticipated future pre-tax income for the next twelve months. An increase in the valuation allowance results in a simultaneous increase to income tax expense or, in some cases, a decrease in contributed capital. If our anticipated future pre-tax income is sufficient to conclude that additional deferred tax assets should be recognized, we decrease the valuation allowance. This results in a simultaneous decrease to income tax expense or, possibly, an increase in contributed capital.

Restructuring charges for workforce reductions and facilities consolidations reflected in the accompanying financial statements were accrued based upon specific plans established by management, in accordance with Emerging Issues Task Force No. 94-3 (EITF 94-3), *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* or SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* depending upon the time of the restructuring activity. We use an estimated borrowing rate as the discount rate for all of our restructuring accruals made under SFAS No. 146. Our facilities consolidation accruals are based upon our estimates as to the length of time a facility would be vacant, as well as the amount of sublease income we would receive once we sublet the facility, after considering current and projected market conditions. Changes in these estimates could result in an adjustment to our restructuring accruals in a future quarter, which could have a material effect on our operating results and financial position.

We are subject to the possibility of loss contingencies for various legal matters. We regularly evaluate current information available to us to determine whether any accruals should be made based on the status of the case, the results of the discovery process and other factors. If we ultimately determine that an accrual should be made for a legal matter, this accrual could have a material effect on our operating results and financial position and the ultimate outcome may be materially different than our estimate.

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Results of Operations

The following table summarizes the results of our operations for the second quarter and first six months of fiscal years 2009 and 2008 as a percent of net sales. All percent amounts were calculated using the underlying data in thousands, unaudited:

	Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Audio products	57%	60%	54%	57%
Industrial products	43%	40%	46%	43%
Net sales	100%	100%	100%	100%
Cost of sales	44%	43%	44%	42%
Gross Margin	56%	57%	56%	58%
Research and development	20%	26%	23%	26%
Selling, general and administrative	22%	27%	24%	29%
Impairment of non-marketable securities	0%	7%	0%	4%
Acquired in process research and development	0%	4%	0%	2%
Provision for litigation expenses	3%	0%	2%	0%
Total operating expenses	45%	64%	49%	61%
Income (loss) from operations	11%	(7%)	7%	(3%)
Interest income, net	1%	6%	2%	7%
Other income (expense), net	0%	0%	0%	0%
Income (loss) before income taxes	12%	(1%)	9%	4%
Provision (benefit) for income taxes	0%	0%	0%	0%
Net income (loss)	12%	(1%)	9%	4%

Net Sales

Net sales for the second quarter of fiscal year 2009 increased $6.3 million, or 13 percent, to $53.3 million from $47.0 million for the second quarter of fiscal year 2008. Industrial products net sales increased $3.7 million, or 20 percent, during the second quarter of fiscal year 2009 from the comparable quarter of the prior fiscal year substantially due to the contributions from both our seismic products and our precision amplifier products, the latter of which were acquired in July 2007. Net sales from our audio products increased $2.5 million, or 9 percent, due primarily to increases in sales of portable products and stereo codecs. These sales increases were partially offset by decreases in sales of our audio analog to digital converters.

Net sales for the first six months of fiscal year 2009 increased $9.1 million, or 10 percent, to $97.3 million from $88.2 million for the first six months of fiscal year 2008. Industrial products net sales increased $7.0 million, or 19 percent, during the first six months of fiscal year 2009 from the comparable period of the prior fiscal year substantially due to the contributions from both our seismic product line and our precision amplifier products, the latter of which were acquired in July 2007. Net sales from our audio products increased $2.1 million, or 4 percent, due primarily to increases in sales of our portable products. These sales increases were partially offset by decreases in sales of our audio analog to digital converters, interface products, and audio processors.

Export sales, principally to Asia, including sales to U.S.-based customers with manufacturing plants overseas, were 66 percent and 62 percent of net sales during the second quarter of fiscal years 2009 and 2008, respectively. For the first six months of fiscal years 2009 and 2008 respectively, export sales, principally to Asia, were 65 percent and 61 percent of net sales. Our sales are denominated primarily in U.S. dollars. As a result, we have not entered into foreign currency forward exchange and option contracts.

We had no direct customers that accounted for more than 10 percent of our sales. We had one distributor that represented 36 percent and 25 percent of our sales for the second quarter of fiscal year 2009 and fiscal year 2008, respectively. We had one distributor that represented 34 percent and 27 percent of our sales for the first six months of fiscal year 2009 and fiscal year 2008, respectively.

Gross Margin

Gross margin was 56.3 percent in the second quarter of fiscal year 2009, down from 57.0 percent in the second quarter of fiscal year 2008. The decrease in gross margin was driven primarily by a change in both customer and product mix, and in particular by the recent growth in our portable products.

Gross margin was 56.2 percent in the first six months of fiscal year 2009, down from 58.1 percent in the first six months of fiscal year 2008. The decrease in gross margin was driven primarily by a change in both customer and product mix, and in particular by the recent growth in our portable products.

Research and Development Expense

Research and development expense for the second quarter of fiscal year 2009 was $10.9 million, a decrease of $1.2 million from $12.1 million in the second quarter of fiscal year 2008. This decrease was primarily due to a reduction in product development expenses, which were higher than normal during the second quarter of fiscal year 2008, and to expense decreases realized as a result of headcount reductions taken to improve our competitive cost structure.

Research and development expense for the first six months of fiscal year 2009 was $22.5 million, a decrease of $0.5 million from $23.0 million in the first six months of fiscal year 2008. This decrease was primarily due to a reduction in product development expenses, which were higher than normal during the second quarter of fiscal year 2008, and to expense decreases realized as a result of headcount reductions taken to improve our competitive cost structure.

Selling, General and Administrative Expense

Selling, general and administrative expense in the second quarter of fiscal year 2009 was $11.6 million, a decrease of $1.2 million from $12.8 million in the second quarter of fiscal year 2008. This decrease was primarily attributable to a decrease in litigation related legal expenditures, as well as to the occurrence of non-recurring external professional fees during the second quarter of fiscal year 2008.

Selling, general and administrative expense in the first six months of fiscal year 2009 was $23.6 million, a decrease of $2.2 million from $25.8 million in the first six months of fiscal year 2008. This decrease was attributable to several factors, including a decrease in litigation related legal expenditures, special expenses related to our external stock option review during the first six months of fiscal year 2008, and to expense decreases realized as a result of headcount reductions taken to improve our competitive cost structure.

Impairment of Non-Marketable Securities

During the second quarter and first six months of fiscal year 2008, we determined an impairment indicator existed related to our cost method investment in Magnum Semiconductor, Inc. (Magnum), as Magnum participated in another round of capital funding from other sources, and our portion of the investment was diluted. We performed a fair value analysis of our cost method investment in Magnum in accordance with Emerging Issues Task Force No. 03-1 (EITF 03-1), *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.* Based on the results of this analysis as of September 29, 2007, we recognized an impairment of $3.7 million to reduce the carrying value of the Magnum cost method investment to zero. The impairment was recorded as a separate line item on the consolidated condensed statement of operations in operating expenses under the caption *Impairment of non-marketable securities.*

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Acquired in Process Research and Development

During the second quarter of fiscal year 2008, we acquired 100 percent of the voting equity interests in Apex, who designs and produces integrated circuits, hybrids and modules used in a wide range of industrial and aerospace applications that require high-power precision analog products, such as PWM and power amplifiers. In allocating the $42.8 million purchase price, we immediately recognized an expense of $1.8 million for research and development that was defined as in-process at the time of acquisition. This charge is included in total operating expenses on the consolidated condensed statement of operations under the caption *Acquired in process research and development.*

Provision for Litigation Expenses

During the second quarter of fiscal year 2009, we recognized a $1.8 million charge related to previously incurred and current legal fees and expenses associated with our ongoing derivative lawsuits. Approximately $0.8 million of these costs were capitalized in *Other current assets* on the consolidated condensed balance sheets as of March 29, 2008. Based on a change in circumstances in the current status of the lawsuits, the Company believes that it is more likely than not that previously incurred and current legal fees and expenses of $1.8 million related to this matter will not ultimately be recovered under the Company s Directors and Officers insurance policy and should be expensed. The charge was recorded as a separate line item on the consolidated condensed statement of operations in operating expenses under the heading *Provision for litigation expenses,* with a corresponding reduction in *Other current assets*.

Interest Income

Interest income was $0.6 million and $3.2 million for the second quarter of fiscal years 2009 and 2008, respectively. Interest income was $1.6 million and $6.7 million for the first six months of fiscal years 2009 and 2008, respectively. The decrease of $5.1 million in the first six months of fiscal year 2009 is primarily due to decreased cash, cash equivalents, and marketable securities balances on which interest was earned coupled with lower rates of return on our investment portfolio. The average interest-earning portfolio balance during the first six months of fiscal year 2009 was $126 million, down from $268 million for the corresponding period of fiscal year 2008. The decrease in the balance was primarily attributable to the Company s $150 million common stock repurchases completed during the first half of calendar year 2008.

Income Taxes

We recorded an income tax benefit of $16 thousand for the second quarter of fiscal year 2009 and an income tax expense of $20 thousand for the first six months of fiscal year 2009, yielding an effective tax benefit rate of 0.3 percent and an effective tax rate of 0.2 percent, respectively. Our tax benefit for the second quarter and tax expense for the first six months of fiscal year 2009 are based on an estimated effective tax rate that is derived from an estimate of consolidated earnings before taxes for fiscal year 2009. The estimated effective tax rate is impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the realizability of our deferred tax assets. Our tax expense for the first six months and tax benefit for the second quarter of fiscal year 2009 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance. In addition, we recorded a tax benefit of $73 thousand in the second quarter as a result of the enactment of the Housing Assistance Tax Act of 2008 (the Act), which was signed by the President on July 30, 2008. The Act provides that taxpayers may elect to forego bonus depreciation on certain additions of qualified eligible property and, in turn, claim a refundable credit for a portion of its unused AMT and research credits.

We recognized a net income tax expense of $15 thousand and $30 thousand for the second quarter and first six months of fiscal year 2008, respectively. The income tax expense for both periods was generated by estimated income taxes due in certain foreign jurisdictions and the U.S. alternative minimum tax. Our tax expense for the second quarter and first six months of fiscal year 2008 is based on an estimated effective tax rate that is derived from an estimate of consolidated earnings before taxes for fiscal year 2008. The estimated effective tax rate is impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the realizability of our deferred tax assets. Our tax expense for the second quarter and first six months of fiscal year 2008 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations.* SFAS 141 (revised 2007) provides for several changes in the manner in which an entity accounts for business combinations. It establishes principles and requirements for how an acquirer recognizes fair values of acquired assets, including goodwill, and assumed liabilities. SFAS 141 (revised 2007) requires the acquirer to recognize 100% of the fair values of acquired assets and liabilities, including goodwill, even if the acquirer has acquired less than 100% of the target. As a result, the current step-acquisition model will be eliminated. SFAS 141 (revised 2007) requires that transaction costs be expensed as incurred and are not considered part of the fair value of an acquirer s interest. Under SFAS 141 (revised 2007), acquired research and development value will no longer be expensed at acquisition, but instead will be capitalized as an indefinite-lived intangible asset, subject to impairment accounting throughout its development stage and then subject to amortization and impairment after development is complete. SFAS 141 (revised 2007) is effective for fiscal years beginning after December 15, 2008. Adoption is prospective and early adoption is not permitted. The impact of adopting SFAS 141 (revised 2007) will be dependent on the future business combinations that the Company may pursue after its effective date.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157,* which provides for delayed application of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those years. The Company adopted certain provisions of SFAS No. 157 effective March 30, 2008 (see Note 2, *Fair Value of Financial Instruments*, to the Condensed Consolidated Financial Statements for additional information). The Company is currently evaluating the effect that the adoption of the provisions deferred by Staff Position No. FAS 157-2 will have on its financial position and results of operations.

Liquidity and Capital Resources

During the first six months of fiscal year 2009, we generated approximately $10.0 million in cash from operating activities. The primary increase in cash from operations was related to the cash components of our net income, coupled with a $2.2 million decrease in other assets and a $1.5 million increase in accounts payable. These increases in cash from operations were partially offset by increases in inventory of $5.6 million and accounts receivable of $2.9 million. During the first six months of fiscal year 2008, we generated approximately $15.8 million of cash from operating activities. The primary increase in cash from operations was related to the cash components of our net income partially offset by an increase in our accounts receivable of $1.8 million and an increase in deferred revenue of $2.7 million.

Net cash provided by investing activities was $73.8 million during the first six months of fiscal year 2009, primarily as a result of the net proceeds of $76.1 million from our available-for-sale securities partially offset by purchases of property, equipment, and software of $2.2 million. Net cash used in investing activities was $55.4 million during the first six months of fiscal year 2008, primarily as a result of the acquisition of Apex for approximately $42.8 million, the net investment of approximately $7.8 million from our available-for-sale securities and by investments in technology and equipment of approximately $4.6 million, primarily resulting from the purchase of certain intellectual property from Tripath Technology, Inc. during the first quarter of fiscal year 2008.

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We used $84.9 million in cash from financing activities during the first six months of fiscal year 2009, due primarily to the use of $87.2 million to complete the share repurchases previously discussed in Note 13 *Share Repurchase Program* of the Notes to Consolidated Condensed Financial Statements contained in Item 1. This use of funds was partially offset by the issuance of 464,000 shares of common stock in connection with option exercises and our employee stock purchase plan, which generated approximately $2.4 million in cash. We generated $4.9 million in cash from financing activities during the first six months of fiscal year 2008, due primarily to the issuance of 1.0 million shares of common stock in connection with option exercises and our employee stock purchase plan.

As of September 27, 2008, we have restricted cash of $5.7 million, which primarily secures certain obligations under our lease agreement for the headquarters and engineering facility in Austin, Texas.

We have not paid cash dividends on our common stock and currently intend to continue our policy of retaining any earnings for reinvestment in our business. Although we cannot give assurance that we will be able to generate cash in the future, we anticipate that our existing capital resources and cash flow generated from future operations will enable us to maintain our current level of operations for at least the next 12 months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks associated with interest rates on our debt securities, currency movements on non-U.S. dollar denominated assets and liabilities, and the affect of market factors on the value of our non-marketable equity securities. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. There have been no significant changes in our interest rate or foreign exchange risk since we filed our 2008 Annual Report on Form 10-K on May 29, 2008.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure control and procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, the CEO and the Chief Financial Officer (CFO) concluded that, as of September 27, 2008, our disclosure controls and procedures were effective at providing reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms and that our controls and procedures are effective in timely alerting them to material information required to be included in this report.

Changes in control over financial reporting

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

Derivative Lawsuits

On January 5, 2007, a purported stockholder filed a derivative lawsuit in the state district court in Travis County, Texas against current and former officers and directors of Cirrus Logic and against the Company, as a nominal defendant, alleging various breaches of fiduciary duties, conspiracy, improper financial reporting, insider trading, violations of the Texas Securities Act, unjust enrichment, accounting, gross mismanagement, abuse of control, rescission, and waste of corporate assets related to certain prior grants of stock options by the Company. Our response to the lawsuit was filed on April 20, 2007. On June 12, 2007, the state district court stayed the lawsuit until a final determination is reached in the District Court actions described below.

Two additional lawsuits arising out of the same claims have been filed in federal court in the United States District Court for the Western District of Texas Austin Division. Between March 19, 2007, and March 30, 2007, two purported stockholders filed derivative lawsuits related to the Company s prior stock option grants against current and former officers and directors of Cirrus Logic and against the Company, as a nominal defendant. The individual defendants named in these lawsuits overlap, but not completely, with the state suit. The lawsuits allege many of the causes of action alleged in the Texas state court suit, but also include claims for alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5, violations of Section 14(a) of the Exchange Act and violations of Section 20(a) of the Exchange Act.

On July 16, 2007, the plaintiffs in the two federal cases filed a motion to voluntarily dismiss their claims in the federal court and indicated their intent to coordinate their efforts in the state district court case. After a hearing on the plaintiffs motion, the court denied the plaintiff s motion and required the two purported stockholders to file a consolidated complaint in federal court. A consolidated complaint, including substantially similar allegations to the two previous complaints, was filed on October 11, 2007.

In response to the consolidated complaint, Cirrus Logic filed a motion to dismiss on November 15, 2007 based on the plaintiffs failure to make demand on the Board of Directors of Cirrus Logic (the Board) prior to filing this action (the demand futility motion). The plaintiffs filed their opposition to the motion on December 14, 2007. Cirrus Logic filed a reply brief on August 13, 2008, approximately eight months after the Court extended briefing deadlines to accommodate mediation discussions. On August 28, 2008, the Court denied Cirrus Logic s demand futility motion. The parties continue to discuss a potential settlement of the matter. However, we cannot predict with certainty the ultimate outcome of this litigation at this time.

Silvaco Data Systems

On December 8, 2004, Silvaco Data Systems (Silvaco) filed suit against us, and others, in Santa Clara County Superior Court (the Court), alleging misappropriation of trade secrets, conversion, unfair business practices, and civil conspiracy. Silvaco s complaint stems from a trade secret dispute between Silvaco and a software vendor, Circuit Semantics, Inc., who supplied us with certain software design tools. Silvaco alleges that our use of Circuit Semantic s design tools infringes upon Silvaco s trade secrets and that we are liable for compensatory damages in the sum of $10 million. Silvaco has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages, if any.

On January 25, 2005, we answered Silvaco s complaint by denying any wrong-doing. In addition, we filed a cross-complaint against Silvaco alleging breach of contract relating to Silvaco s refusal to provide certain technology that would enable us to use certain unrelated software tools.

On July 5, 2007, the Court granted our motion for judgment on the pleadings, determining that all claims except for the misappropriation of trade secrets claims were pre-empted by trade secret law. On October 15, 2007, the Court granted our motion for summary judgment on the trade secret misappropriation claim because we presented undisputed evidence that Silvaco will be unable to prove that Cirrus misappropriated Silvaco s trade secrets.

On February 12, 2008, we settled our cross-complaint against Silvaco, whereby Silvaco agreed to pay Cirrus $30,000 as full and final restitution of all claims that could have been alleged in the cross-complaint.

Based on these orders and the settlement of the cross-complaint, the Court entered judgment in our favor on Silvaco s complaint and our cross-complaint on March 4, 2008. As a result of the favorable judgment, on May 16, 2008, the court awarded approximately $59,000 for our expenses in defending the suit.

On April 7, 2008, Silvaco filed a notice of appeal on these matters. We anticipate that the appeal will be heard by the Court of Appeal of the State of California, Sixth Appellate District in the last half of calendar year 2008.

At this stage of the litigation, we cannot predict the ultimate outcome and we are unable to estimate any potential liability we may incur.

Other Claims

On January 29, 2008, Cirrus Investments, L.P. (Cirrus Investments), an entity unrelated to the Company, filed suit against the Company, and others, in the Superior Court of California, County of Santa Clara, alleging breach of commercial leases and holdover rent with respect to two properties we leased from Cirrus Investments in Fremont, California. Cirrus Investments complaint primarily related to alleged violations of certain restoration obligations that the Company had at the end of the lease term of these two properties. Cirrus Logic settled this matter on October 8, 2008 via execution of a Settlement Agreement for approximately $1.0 million to Cirrus Investments, which was accrued as of September 27, 2008.

From time to time, other various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in our industry. As to any of these claims or litigation, we cannot predict the ultimate outcome with certainty.

ITEM 1A. RISK FACTORS

In evaluating all forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Various risk factors associated with our business are included in our Annual Report on Form 10-K for the fiscal year ended March 29, 2008, as filed with the U.S. Securities and Exchange Commission (Commission) on May 29, 2008 and available at www.sec.gov. Other than as set forth below, there have been no material changes to those risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 29, 2008, which was filed with the Commission on May 29, 2008.

We depend on a limited number of customers for a substantial portion of our revenues, and the loss of, or a significant reduction in orders from, any key customer could significantly reduce our revenues.

While we generate revenues from a broad base of customers worldwide, the loss of any of our key customers, or a significant reduction in sales to any one of them, would significantly reduce our revenues and adversely affect our business. During the three months ended September 27, 2008, our ten largest customers represented approximately 41% of our revenues.

We may not be able to maintain or increase sales to certain of our key customers for a variety of reasons, including the following:

- most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;
- our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- many of our customers have pre-existing or concurrent relationships with our current or potential competitors that may affect the customers decisions to purchase our products;
- our customers face intense competition from other manufacturers that do not use our products;
- some of our customers offer or may offer products that compete with our products; and
- our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and their ability to obtain components from alternative sources.

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These relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. Accordingly, we may have to devote a substantial amount of resources to strategic relationships, which could detract from or delay our completion of other important development projects or the development of next generation products and technologies. Delays in development could impair our relationships with strategic customers and negatively impact sales of the products under development.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 30, 2008, we announced that our Board authorized a share repurchase program of up to $150 million. The Company repurchased 13.3 million shares of its common stock for $71.1 million during fiscal year 2008. During the first quarter of fiscal year 2009, we continued our stock repurchase activity by repurchasing a total of 11.2 million shares of our common stock for $78.9 million as part of this program. As of June 28, 2008 the share repurchase program was completed, with a cumulative 24.5 million shares acquired at a total cost of $150 million. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased have been cancelled as of June 28, 2008. The following table summarizes repurchases of our common stock during the three months ended June 28, 2008:

Monthly Period		Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan or Programs
March 30, 2008	April 26, 2008	10,990	$	7.01	10,990	$	1,797
April 27, 2008	May 24, 2008	247	$	7.28	247	$	
May 25, 2008	June 28, 2008					$	
Total		11,237			11,237		

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of the Company s stockholders was held on July 25, 2008. At the close of business on May 27, 2008, the record date for the meeting, there were approximately 65,000,000 shares of the Company s common stock outstanding and entitled to be voted at the meeting. Holders of 61,273,004 shares of the Company s common stock (representing a like number of votes) were present at that meeting, either in person or by proxy. The following table sets forth the results of the voting that occurred at the stockholder meeting:

(a) Election of Directors

Michael L. Hackworth	For: 58,791,436	Withheld: 2,481,568
D. James Guzy	For: 59,082,116	Withheld: 2,190,888
Suhas S. Patil	For: 58,975,810	Withheld: 2,297,194
Walden C. Rhines	For: 56,222,497	Withheld: 5,050,507
Jason P. Rhode	For: 59,074,361	Withheld: 2,198,643
William D. Sherman	For: 59,594,828	Withheld: 1,678,176
Robert H. Smith	For: 58,864,296	Withheld: 2,408,708

There were no broker non-votes.

(b) Ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the Company s 2009 fiscal year.

For: 60,257,753	Against: 870,418	Abstain: 144,833

There were no broker non-votes.

ITEM 6. EXHIBITS

The following exhibits are filed as part of or incorporated by reference into this Report:

3.1	Certificate of Incorporation of Registrant, filed with the Delaware Secretary of State on August 26, 1998. (1)
3.2	Amended and Restated Bylaws of Registrant. (2)
31.1 *	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this Form 10-Q.

(1) Incorporated by reference from Registrant s Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the Commission on June 22, 2001.

(2) Incorporated by reference from

Registrant s Report of Form 8-K filed with the Commission on September 21, 2005.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

	CIRRUS LOGIC, INC.
Date: October 22, 2008	By: /s/ Thurman K. Case Thurman K. Case Chief Financial Officer and Principal Accounting Officer

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EXHIBIT INDEX

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