

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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IROBOT CORP

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED March 29, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 001-36414**

iROBOT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0259 335
(I.R.S. Employer
Identification No.)

8 Crosby Drive
Bedford, MA 01730
(Address of principal executive offices)
(Zip code)

(781) 430-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's Common Stock as of April 29, 2014 was 29,479,815.

iROBOT CORPORATION
FORM 10-Q
THREE MONTHS ENDED MARCH 29, 2014
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iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 29, 2014	December 28, 2013
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 154,824	\$ 165,404
Short term investments	30,540	21,954
Accounts receivable, net of allowance of \$67 at March 29, 2014 and December 28, 2013	36,540	39,348
Unbilled revenue	931	856
Inventory	41,390	46,107
Deferred tax assets	19,950	20,144
Other current assets	10,436	6,848
Total current assets	294,611	300,661
Property and equipment, net	25,119	23,661
Deferred tax assets	10,433	10,095
Goodwill	48,751	48,751
Intangible assets, net	21,764	22,668
Other assets	10,501	10,501
Total assets	\$ 411,179	\$ 416,337
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 34,221	\$ 41,344
Accrued expenses	13,563	14,880
Accrued compensation	7,744	19,606
Deferred revenue and customer advances	4,420	5,085
Total current liabilities	59,948	80,915
Long term liabilities	4,414	4,733
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock, 5,000,000 shares authorized and none outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 29,435,149 and 28,935,253 shares issued and outstanding at March 29, 2014 and December 28, 2013, respectively	294	289
Additional paid-in capital	238,154	227,175
Retained earnings	108,358	103,078
Accumulated other comprehensive income	11	147
Total stockholders' equity	346,817	330,689
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 411,179	\$ 416,337

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	March 29, 2014	March 30, 2013
Revenue	\$ 114,204	\$ 106,195
Cost of revenue (1)	62,494	59,668
Gross margin	51,710	46,527
Operating expenses:		
Research and development (1)	16,934	14,408
Selling and marketing (1)	14,532	10,697
General and administrative (1)	12,264	12,458
Total operating expenses	43,730	37,563
Operating income	7,980	8,964
Other income (expense), net	(187)	(96)
Income before income taxes	7,793	8,868
Income tax expense	2,513	513
Net income	\$ 5,280	\$ 8,355
Net income per share		
Basic	\$ 0.18	\$ 0.30
Diluted	\$ 0.18	\$ 0.29
Number of shares used in calculations per share		
Basic	29,189	27,930
Diluted	30,033	28,558

(1) Total stock-based compensation recorded in the three months ended March 29, 2014 and March 30, 2013 included in the above figures breaks down by expense classification as follows:

	Three Months Ended	
	March 29, 2014	March 30, 2013
Cost of revenue	\$ 169	\$ 118
Research and development	731	501
Selling and marketing	338	366
General and administrative	1,840	1,944

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended	
	March 29, 2014	March 30, 2013
Net income	\$ 5,280	\$ 8,355
Other comprehensive income, net of tax:		
Unrealized gains/(losses) on investments, net of tax	(136)	12
Total comprehensive income	<u>\$ 5,144</u>	<u>\$ 8,367</u>

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	March 29, 2014	March 30, 2013
Cash flows from operating activities:		
Net income	\$ 5,280	\$ 8,355
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,142	3,284
(Gain)/loss on disposal of assets	(10)	182
Stock-based compensation	3,078	2,929
Deferred income taxes, net	1,912	(449)
Tax benefit of excess stock-based compensation deductions	(2,231)	(43)
Non-cash director deferred compensation	11	11
Changes in operating assets and liabilities — (use) source		
Accounts receivable	2,808	2,133
Unbilled revenue	(75)	(1,056)
Inventory	4,080	4,805
Other assets	(3,588)	(983)
Accounts payable	(7,924)	(12,711)
Accrued expenses	(1,399)	379
Accrued compensation	(11,862)	(4,867)
Deferred revenue and customer advances	(665)	(2,628)
Long term liabilities	(319)	815
Net cash provided by (used in) operating activities	(7,762)	156
Cash flows from investing activities:		
Additions of property and equipment	(2,177)	(1,077)
Change in other assets	—	(2,000)
Purchases of investments	(11,211)	(2,547)
Sales of investments	2,500	1,000
Net cash used in investing activities	(10,888)	(4,624)
Cash flows from financing activities:		
Proceeds from stock option exercises	6,957	1,744
Income tax withholding payment associated with restricted stock vesting	(1,118)	(513)
Tax benefit of excess stock-based compensation deductions	2,231	43
Net cash provided by financing activities	8,070	1,274
Net decrease in cash and cash equivalents	(10,580)	(3,194)
Cash and cash equivalents, at beginning of period	165,404	126,770
Cash and cash equivalents, at end of period	\$ 154,824	\$ 123,576
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 3,284	\$ 1,510
Non-cash investing and financing activities:		

Transfer of inventory to property and equipment	\$	637	\$	—
Additions of property and equipment included in accounts payable	\$	1,373	\$	—

The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
Notes To Consolidated Financial Statements
(unaudited)

1. Description of Business

iRobot Corporation (“iRobot” or the “Company”) develops robotics and artificial intelligence technologies and applies these technologies in producing and marketing robots. The majority of the Company’s revenue is generated from product sales and, to a lesser extent, government and commercial research and development contracts.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany accounts and transactions. In addition, certain prior year amounts have been reclassified to conform with the current year presentation. iRobot has prepared the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

The accompanying unaudited financial data as of March 29, 2014 and for the three months ended March 29, 2014 and March 30, 2013 has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 28, 2013, filed with the SEC on February 18, 2014.

In the opinion of management, all adjustments necessary to state fairly its statement of financial position as of March 29, 2014 and results of operations and cash flows for the periods ended March 29, 2014 and March 30, 2013 have been made. The results of operations and cash flows for any interim period are not necessarily indicative of the operating results and cash flows for the full fiscal year or any future periods.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, sales returns, bad debts, warranty claims, inventory reserves, valuation of investments, valuation of goodwill and intangible assets, assumptions used in valuing stock-based compensation instruments and income taxes. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from the Company’s estimates.

Fiscal Year-End

The Company operates and reports using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, the Company’s fiscal quarters end on the Saturday that falls closest to the last day of the third month of each quarter.

Revenue Recognition

The Company derives its revenue from product sales and, to a lesser extent, government and commercial research and development contracts. The Company sells products directly to customers and indirectly through resellers and distributors. The Company recognizes revenue from sales of robots under the terms of the customer agreement upon transfer of title and risk of loss to the customer, net of estimated returns, provided that collection is determined to be reasonably assured and no significant obligations remain. Sales to domestic resellers of home robots are typically subject to agreements allowing for limited rights of return, rebates and price protection. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights of return at the time the related sale is recorded. The Company makes an estimate of sales returns for products sold by domestic resellers directly based on historical returns experience and other relevant data. The Company's international distributor agreements do not currently allow for product returns and, as a result, no reserve for returns is established for this group of customers. The Company has aggregated and analyzed historical returns from domestic resellers and end users which form the basis of its estimate of future sales returns by resellers or end users. When a right of return exists, the provision for these estimated returns is recorded as a reduction of revenue at the time that the related revenue is recorded. If actual returns differ significantly from its estimates, such differences could have a material impact on the Company's results of operations for the period in which the returns become known. The estimates for returns are adjusted periodically based upon historical rates of returns. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates.

Under cost-plus-fixed-fee ("CPFF") type contracts, the Company recognizes revenue based on costs incurred plus a pro rata portion of the total fixed fee. Costs incurred include labor and material that are directly associated with individual CPFF contracts plus indirect overhead and general and administrative type costs based upon billing rates submitted by the Company to the Defense Contract Management Agency ("DCMA"). Annually, the Company submits final indirect billing rates to DCMA based upon actual costs incurred throughout the year. In the situation where the Company's final actual billing rates are greater than the estimated rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is collected from the customer. These final billing rates are subject to audit by the Defense Contract Audit Agency ("DCAA"), which can occur several years after the final billing rates are submitted and may result in material adjustments to revenue recognized based on estimated final billing rates. As of March 29, 2014, fiscal year 2007 is under audit by DCAA, and fiscal years 2008 through 2013 are open for audit by DCAA. In the situation where the Company's anticipated actual billing rates will be lower than the provisional rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is identified. Revenue on firm fixed price ("FFP") contracts is recognized using the percentage-of-completion method. For government product FFP contracts, revenue is recognized as the product is shipped or in accordance with the contract terms. Costs and estimated gross margins on contracts are recorded as revenue as work is performed based on the percentage that incurred costs compare to estimated total costs utilizing the most recent estimates of costs and funding. Changes in job performance, job conditions, and estimated profitability, including those arising from final contract settlements and government audits, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to past performance in the current period. When the current contract estimate indicates a loss, a provision is made for the total anticipated loss in the current period. Revenue earned in excess of billings, if any, is recorded as unbilled revenue. Billings in excess of revenue earned, if any, are recorded as deferred revenue.

Stock-Based Compensation

The Company accounts for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair value as calculated by the Black-Scholes option-pricing model. Stock-based compensation cost for restricted stock awards, time-based restricted stock units and performance-based restricted stock units is measured based on the closing fair market value of the Company's common stock on the date of grant. For performance-based restricted stock units, the compensation costs will be subsequently adjusted for assumptions of achievement during the period in which the assumption of achievement changes, as applicable. The Company recognizes stock-based compensation as expense ratably on a straight-line basis over the requisite service period, net of estimated forfeitures.

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

Net Income Per Share

The following table presents the calculation of both basic and diluted net income per share:

	Three Months Ended	
	(In thousands, except per share amounts)	
	March 29, 2014	March 30, 2013
Net income	\$ 5,280	\$ 8,355
Weighted-average shares outstanding	29,189	27,930
Dilutive effect of employee stock options and restricted shares	844	628
Diluted weighted-average shares outstanding	30,033	28,558
Basic income per share	\$ 0.18	\$ 0.30
Diluted income per share	\$ 0.18	\$ 0.29

Restricted stock units and stock options representing approximately 0.1 million and 1.1 million shares of common stock for the three month periods ended March 29, 2014 and March 30, 2013, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been antidilutive.

Income Taxes

The Company is subject to taxation in the United States and various states and foreign jurisdictions. Though the statute of limitations is closed for fiscal years prior to 2010, the Internal Revenue Service ("IRS") has completed and closed its examination for all fiscal years prior to 2011. The statute of limitations for examinations by state tax authorities is closed for fiscal years prior to 2009. The Company's tax returns are currently under examination by certain states for the years 2009, 2010 and 2011. Federal carryforward attributes that were generated prior to fiscal year 2011, and state carryforward attributes that were generated prior to fiscal year 2009 may still be adjusted upon examination by the IRS or state tax authorities if they either have been or will be used in a period for which the statute of limitations is still open.

Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company monitors the realization of its deferred tax assets based on changes in facts and circumstances, for example recurring periods of income for tax purposes following historical periods of cumulative losses or changes in tax laws or regulations. The Company's income tax provisions and its assessment of the ability to realize its deferred tax assets involve significant judgments and estimates.

The Company recorded a tax provision of \$2.5 million and \$0.5 million for the three month periods ended March 29, 2014 and March 30, 2013, respectively. The \$2.5 million provision for the three month period ended March 29, 2014 resulted in an effective income tax rate of 32.2%. The \$0.5 million provision for the three month period ended March 30, 2013 resulted in an effective income tax rate of 5.8%. The increase in the effective income tax rate from 5.8% for the three month period ended March 30, 2013 to 32.2% for the three month period ended March 29, 2014 was primarily due to legislation that was enacted in January 2013 that included the extension of the federal research and development tax credits. The legislation retroactively reinstated research and development tax credits for 2012 and extended them through December 31, 2013. As a result, the Company recorded a discrete benefit related to 2012 during the three month period ended March 30, 2013. In addition, the federal research and development tax credits expired at the end of 2013 and have not been enacted for 2014. Therefore, the effective income tax rate of 32.2% for the three month period ended March 29, 2014 does not include any benefit for the federal research and development tax credits.

The Company anticipates the settlement of state tax examinations may be finalized within the next twelve months and could result in a decrease in its unrecognized gross tax benefits of up to \$0.7 million.

In September 2013, the U.S. Department of the Treasury and the IRS issued final regulations addressing the acquisition, production and improvement of tangible property, and also proposed regulations addressing the disposition of property. These

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

regulations replace previously issued temporary regulations and are effective for tax years beginning January 1, 2014, with optional adoption permitted in 2013. The Company has analyzed the impact of these new regulations and they did not have a material impact on the Company's consolidated financial statements.

Fair Value Measurements

The authoritative guidance for fair value establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial Assets

The Company's financial assets measured at fair value on a recurring basis at March 29, 2014, were as follows:

<u>Description</u>	Fair Value Measurements as of March 29, 2014		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 95,258	\$ —	\$ —
Corporate and government bonds	—	30,540	—
Total assets measured at fair value	\$ 95,258	\$ 30,540	\$ —

The Company's financial assets measured at fair value on a recurring basis at December 28, 2013, were as follows:

<u>Description</u>	Fair Value Measurements as of December 28, 2013		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 101,441	\$ —	\$ —
Corporate and government bonds	—	21,954	—
Total assets measured at fair value	\$ 101,441	\$ 21,954	\$ —

In each table above, the bond investments are valued based on observable market values as of the Company's reporting date and are included in Level 2. The bond investments are recorded at fair value and marked-to-market at the end of each reporting period. The realized and unrealized gains and losses are included in comprehensive income for that period. The fair value of the Company's bond investment is included in short term investments in its consolidated balance sheet.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company evaluates goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) annually or more frequently if the Company believes indicators of impairment exist. In accordance with the guidance, the Company is permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step goodwill impairment test is performed.

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The Company completes the annual impairment evaluation during the fourth quarter of each year.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update related to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This new guidance clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when certain situations exist at the reporting date. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The impact of this amendment on the Company's consolidated financial statements was not material.

In February 2013, the FASB issued guidance requiring disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance was effective prospectively for the Company for annual and interim periods beginning January 1, 2013. The impact of these amendments on the Company's consolidated financial statements was not material.

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

3. Inventory

Inventory consists of the following:

	March 29, 2014	December 28, 2013
	(In thousands)	
Raw materials	\$ 8,692	\$ 8,520
Work in process	—	—
Finished goods	32,698	37,587
	<u>\$ 41,390</u>	<u>\$ 46,107</u>

4. Stock Option Plans

The Company has options outstanding under three stock incentive plans: the 2004 Stock Option and Incentive Plan (the "2004 Plan"), the 2005 Stock Option and Incentive Plan (the "2005 Plan") and the Evolution Robotics, Inc. 2007 Stock Plan (the "2007 Plan" and together with the 2004 Plan and the 2005 Plan, the "Plans"). All options that remained outstanding under the 1994 Stock Option Plan as of December 28, 2013 were exercised during the three month period ended March 29, 2014. The 2005 Plan is the only one of the three plans under which new awards may currently be granted. Under the 2005 Plan, which became effective October 10, 2005, 1,583,682 shares were initially reserved for issuance in the form of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards and restricted stock awards. Additionally, the 2005 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning in 2007, by 4.5% of the outstanding number of shares of common stock on the immediately preceding December 31. Stock options returned to the Plans, with the exception of those issued under the 2007 Plan, as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2005 Plan. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code of 1986, as amended. As of March 29, 2014, there were 5,031,694 shares available for future grant under the 2005 Plan.

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

Options granted under the Plans are subject to terms and conditions as determined by the compensation committee of the board of directors, including vesting periods. Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over periods from zero to five years, and expire seven or ten years from the date of grant or, if earlier, 60 or 90 days from employee termination. The exercise price of incentive stock options is equal to the closing price on the NASDAQ Global Market on the date of grant. The exercise price of nonstatutory options may be set at a price other than the fair market value of the common stock.

On March 7, 2014, the Company issued stock grants to certain employees, including executive officers. The annual merit grant to executive officers included stock options totaling 33,938 shares of the Company's common stock, 59,433 time-based restricted stock units and 29,717 performance-based restricted stock units. Each of the stock options granted on March 7, 2014 have a per share exercise price of \$43.35, the closing price of the Company's common stock on NASDAQ on March 7, 2014.

5. Accrued Expenses

Accrued expenses consist of the following:

	March 29, 2014	December 28, 2013
	(In thousands)	
Accrued warranty	\$ 6,358	\$ 6,497
Accrued sales tax	759	831
Accrued rent	720	726
Accrued direct fulfillment costs	670	1,362
Accrued accounting fees	323	181
Accrued contractors	298	509
Accrued sales commissions	247	539
Accrued other	4,188	4,235
	\$ 13,563	\$ 14,880

6. Commitments and Contingencies

Lease Obligations

Rental expense under operating leases for the three months ended March 29, 2014 and March 30, 2013 were \$1.1 million and \$1.0 million, respectively. Future minimum rental payments under operating leases were as follows as of March 29, 2014:

	Operating Leases
	(In thousands)
Remainder of 2014	\$ 2,556
2015	3,363
2016	2,662
2017	2,383
2018	2,383
Thereafter	3,177
Total minimum lease payments	\$ 16,524

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

Outstanding Purchase Orders

At March 29, 2014, the Company had outstanding purchase orders aggregating approximately \$106 million. The purchase orders, the majority of which are with contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancelable without penalty. In circumstances where we determine that we have financial exposure associated with any of these commitments, we record a liability in the period in which that exposure is identified.

Guarantees and Indemnification Obligations

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any patent, copyright, trade secret or other proprietary right infringement claim by any third party with respect to the Company's products. The term of these indemnification agreements is generally perpetual after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of March 29, 2014 and December 28, 2013, respectively.

Warranty

The Company provides warranties on most products and has established a reserve for warranty based on identified or estimated warranty costs. The reserve is included as part of accrued expenses (Note 5) in the accompanying balance sheets.

Activity related to the warranty accrual was as follows:

	Three Months Ended	
	March 29, 2014	March 30, 2013
	(In thousands)	
Balance at beginning of period	\$ 6,497	\$ 6,057
Provision	1,133	404
Warranty usage(1)	(1,272)	(440)
Balance at end of period	<u>\$ 6,358</u>	<u>\$ 6,021</u>

(1) Warranty usage includes costs incurred for warranty obligations.

Sales Taxes

The Company collects and remits sales tax in jurisdictions in which it has a physical presence or it believes nexus exists, which therefore obligates the Company to collect and remit sales tax. The Company continually evaluates whether it has established nexus in new jurisdictions with respect to sales tax. The Company has recorded a liability for potential exposure in several states where there is uncertainty about the point in time at which the Company established a sufficient business connection to create nexus. The Company continues to analyze possible sales tax exposure, but does not currently believe that any individual claim or aggregate claims that might arise will ultimately have a material effect on its consolidated results of operations, financial position or cash flows.

7. Industry Segment, Geographic Information and Significant Customers

The Company operates in two reportable segments, the home robots business unit and the defense and security robots business unit. The nature of products and types of customers for the two segments vary significantly. As such, the segments are managed separately.

Home Robots

The Company's home robots business unit offers products to consumers through a network of retail businesses throughout the United States, to various countries through international distributors and retailers, and through the Company's on-line store. The Company's home robots business unit includes mobile robots used in the maintenance of households.

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

Defense and Security

The Company's defense and security robots business unit offers products to the U.S. Department of Defense through a small U.S. government-focused sales force and distributors, and to other North American and international entities through small domestic and international sales teams, as well as through North American and international distributors. The Company's defense and security robots are used to increase warfighters', law enforcement, security forces and first responders' safety and productivity.

Other

The Company's other revenue and cost of revenue result from other smaller business units that do not meet the criteria of a reportable segment, as well as certain operational costs included in cost of revenue.

The table below presents segment information about revenue, cost of revenue, gross margin and income before income taxes:

	Three Months Ended	
	(In thousands)	
	March 29, 2014	March 30, 2013
Revenue:		
Home Robots	\$ 108,035	\$ 92,699
Defense & Security	5,602	11,100
Other	567	2,396
Total revenue	114,204	106,195
Cost of revenue:		
Home Robots	53,595	48,025
Defense & Security	3,518	5,825
Other	5,381	5,818
Total cost of revenue	62,494	59,668
Gross margin:		
Home Robots	54,440	44,674
Defense & Security	2,084	5,275
Other	(4,814)	(3,422)
Total gross margin	51,710	46,527
Research and development	16,934	14,408
Selling and marketing	14,532	10,697
General and administrative	12,264	12,458
Other income (expense), net	(187)	(96)
Income before income taxes	\$ 7,793	\$ 8,868

Geographic Information

For the three months ended March 29, 2014 and March 30, 2013, sales to non-U.S. customers accounted for 60.8% and 59.6% of total revenue, respectively.

Significant Customers

For the three months ended March 29, 2014, the Company generated 20.0% and 13.1%, respectively, of total revenue from two of its international distributors of home robots products. For the three months ended March 30, 2013, the Company generated 21.9% and 10.2%, respectively, of total revenue from two of its international distributors of home robots products.

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

8. Goodwill, Other Intangible Assets and Other Assets

Goodwill

The carrying amount of the Company's goodwill at March 29, 2014 is \$48.8 million, of which \$41.1 million resulted from the acquisition of Evolution Robotics, Inc. in October 2012 and was assigned to the home robots reporting unit. \$7.7 million resulted from the acquisition of Nekton Research, LLC completed in September 2008 and was assigned to the defense and security reporting unit. In conjunction with the Company's reorganization completed as of the beginning of the fiscal year 2013, the defense and security reporting unit was divided into two reporting units: the defense and security reporting unit and the research reporting unit. As a result, the goodwill of \$7.9 million was reassigned utilizing a relative fair value allocation approach. \$7.7 million and \$0.2 million were reassigned to the defense and security and research reporting units, respectively.

Other Intangible Assets

Other intangible assets include the value assigned to completed technology, research contracts, and a trade name. The estimated useful lives for all of these intangible assets are two to ten years. The intangible assets are being amortized on a straight-line basis, which is consistent with the pattern that the economic benefits of the intangible assets are expected to be utilized.

Intangible assets at March 29, 2014 and December 28, 2013 consisted of the following:

	March 29, 2014				December 28, 2013			
	Cost	Accumulated Amortization	Impairment Loss	Net	Cost	Accumulated Amortization	Impairment Loss	Net
(In thousands)								
Completed technology	\$ 30,600	\$ 7,098	\$ 1,788	\$ 21,714	\$ 30,600	\$ 6,202	1,788	\$ 22,610
Research contracts	100	100	—	—	100	100	—	—
Tradename	800	750	—	50	800	742	—	58
Total	<u>\$ 31,500</u>	<u>\$ 7,948</u>	<u>\$ 1,788</u>	<u>\$ 21,764</u>	<u>\$ 31,500</u>	<u>\$ 7,044</u>	<u>\$ 1,788</u>	<u>\$ 22,668</u>

Amortization expense related to acquired intangible assets was \$0.9 million and \$1.0 million for the three months ended March 29, 2014 and March 30, 2013, respectively. The estimated future amortization expense is expected to be as follows:

	(In thousands)
Remainder of 2014	\$ 2,618
2015	3,482
2016	3,457
2017	3,457
2018	3,457
Thereafter	5,293
Total	<u>\$ 21,764</u>

Other Assets

Other assets at March 29, 2014 and December 28, 2013 consisted of the following:

	March 29, 2014	December 28, 2013
(In thousands)		
Investment in Advanced Scientific Concepts, Inc.	\$ 2,500	\$ 2,500
Investment in InTouch Technologies, Inc.	8,001	8,001
Total	<u>\$ 10,501</u>	<u>\$ 10,501</u>

iROBOT CORPORATION
Notes to Consolidated Financial Statements - (Continued)

These investments are accounted for utilizing the cost method of accounting. The Company regularly monitors the investments to determine if facts and circumstances have changed in a manner that would require a change in accounting methodology. Additionally, the Company periodically evaluates whether or not an investment has been impaired by considering such factors as economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment. If any such impairment is identified, a reduction in the carrying value of the investment would be recorded at that time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of iRobot Corporation should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 28, 2013, which has been filed with the SEC. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. In particular, statements contained in this Quarterly Report on Form 10-Q, and in the documents incorporated by reference into this Quarterly Report on Form 10-Q, that are not historical facts, including, but not limited to statements concerning new product sales, product development and offerings, Roomba, Scooba, Looj, Braava and Mirra products, PackBot tactical military robots, the Small Unmanned Ground Vehicle, FirstLook, Ava, RP-VITA, our home robots, defense and security robots and remote presence business units, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, revenue recognition, our profits, growth of our revenues, product life cycle revenue, composition of our revenues, our cost of revenues, units shipped, average selling prices, funding of our defense and security robot development programs, operating expenses, selling and marketing expenses, general and administrative expenses, research and development expenses, and compensation costs, our projected income tax rate, our credit and letter of credit facilities, our valuations of investments, valuation and composition of our stock-based awards, and liquidity, constitute forward-looking statements and are made under these safe harbor provisions. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "could," "seek," "intends," "plans," "estimates," "anticipates," or other comparable terms. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, including those risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 28, 2013, as well as elsewhere in this Quarterly Report on Form 10-Q. We urge you to consider the risks and uncertainties discussed in our Annual Report on Form 10-K and in Item 1A contained herein in evaluating our forward-looking statements. We have no plan to update our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

Overview

iRobot designs and builds robots that empower people to do more. For over 20 years, we have developed proprietary technology incorporating advanced concepts in navigation, mobility, manipulation and artificial intelligence to build industry-leading robots. Our home care robots perform time-consuming domestic chores, while our defense and security robots perform tasks such as battlefield reconnaissance and bomb disposal, and multi-purpose tasks for law enforcement agencies and first responders, as well as certain commercial users. Our remote presence robots expand the reach of medical care by connecting physicians with patients from anywhere in the world and also provide autonomous telepresence capabilities enabling remote workers to more personally collaborate throughout the workplace. We sell our robots through a variety of distribution channels, including chain stores and other national retailers, through our on-line store, through value-added distributors and resellers, and to the U.S. military and other government agencies worldwide.

As of March 29, 2014, we had 539 full-time employees. We have developed expertise in the disciplines necessary to build durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to develop next generation and new products, reducing the time, cost and risk of product development. Our significant expertise in robot design and engineering, combined with our management team's experience in consumer, military and enterprise markets, positions us to capitalize on the expected growth in the market for robots.

Although we have successfully launched consumer and defense and security products, our continued success depends upon our ability to respond to a number of future challenges. We believe the most significant of these challenges include increasing competition in the markets for both our consumer and defense and security products, and our ability to successfully develop and introduce products and product enhancements into both new and existing markets.

During the three month period ended March 29, 2014, strong growth in our domestic and international markets for home robots products drove an increase in our home robots business unit revenue of 16.5%, as compared to the three month period ended March 30, 2013. This increase resulted primarily from broadened availability of our Roomba 800 series robot, as well as our continued investment in advertising.

Offsetting this increase was a decrease in our defense and security business unit revenue of 49.5% during the three month period ended March 29, 2014 as compared to the three month period ended March 30, 2013, driven by decreases in

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contract revenue related to the U.S. Army's Brigade Combat Team Modernization program, and decreases in sales of spare parts for our Packbot and Small Unmanned Ground Vehicle robots.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, in particular those related to revenue recognition (specifically sales returns and other allowances); valuation allowances; assumptions used in valuing goodwill and intangible assets; assumptions used in valuing stock-based compensation instruments; evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual amounts could differ significantly from these estimates. Our management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenue and expenses that are not readily apparent from other sources. Additional information about these critical accounting policies may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2013.

Overview of Results of Operations

The following table sets forth our results of operations as a percentage of revenue for the three month periods ended March 29, 2014 and March 30, 2013:

	Three Months Ended	
	March 29, 2014	March 30, 2013
Revenue	100.0 %	100.0%
Cost of revenue	54.7	56.2
Gross margin	45.3	43.8
Operating expenses		
Research and development	14.8	13.6
Selling and marketing	12.7	10.1
General and administrative	10.8	11.7
Total operating expenses	38.3	35.4
Operating income	7.0	8.4
Other income (expense), net	(0.2)	—
Income before income taxes	6.8	8.4
Income tax expense	2.2	0.5
Net income	4.6 %	7.9%

Comparison of Three Months Ended March 29, 2014 and March 30, 2013

Revenue

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total revenue	\$ 114,204	\$ 106,195	\$ 8,009	7.5%

Total revenue for the three months ended March 29, 2014 increased to \$114.2 million, or 7.5%, compared to \$106.2 million for the three months ended March 30, 2013. Revenue increased approximately \$15.3 million, or 16.5%, in our home robots business unit and decreased approximately \$5.5 million, or 49.5%, in our defense and security robots business unit.

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The \$15.3 million increase in revenue from our home robots business unit for the three months ended March 29, 2014 was driven by a 10.5% increase in units shipped and a 5.7% increase in net average selling price as compared to the three months ended March 30, 2013. In the three months ended March 29, 2014, domestic home robots revenue increased \$9.6 million, or 30.7%, and international home robots revenue increased \$5.7 million, or 9.3%, as compared to the three months ended March 30, 2013. Total home robots shipped in the three months ended March 29, 2014 were 465 thousand units compared to 421 thousand units in the three months ended March 30, 2013. The increase in sales of our home robots, both domestically and internationally, resulted primarily from broadened availability of our Roomba 800 series robot, as well as our continued investment in advertising.

The \$5.5 million decrease in revenue from our defense and security robots business unit for the three months ended March 29, 2014 was attributable to a \$2.4 million decrease in defense and security product revenue and a \$3.1 million decrease in contract revenue generated under research and development contracts. The \$2.4 million decrease in defense and security product revenue resulted primarily from decreased sales of spare parts for our Packbot and Small Unmanned Ground Vehicle robots. The \$3.1 million decrease in contract revenue was primarily due to a decrease in revenue related to the U.S. Army's Brigade Combat Team Modernization, or BCTM, program. Total defense and security robots shipped in the three months ended March 29, 2014 were 38 units compared to 18 units in the three months ended March 30, 2013, while net average selling price decreased from \$108 thousand in the three months ended March 30, 2013 to \$54 thousand in the three months ended March 29, 2014. The increase in the number of units shipped and the decrease in net average selling price resulted from increased sales of our lower-priced FirstLook robot in the three months ended March 29, 2014 as compared to the three months ended March 30, 2013.

Cost of Revenue

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total cost of revenue	\$ 62,494	\$ 59,668	\$ 2,826	4.7%
As a percentage of total revenue	54.7%	56.2%		

Total cost of revenue increased to \$62.5 million in the three months ended March 29, 2014, compared to \$59.7 million in the three months ended March 30, 2013. Cost of revenue increased \$5.6 million, or 11.6%, in our home robots business unit, and decreased \$2.3 million, or 39.6%, in our defense and security business unit. Other cost of revenue decreased \$0.4 million, or 7.5%. The increase in cost of revenue for the three months ended March 29, 2014 in our home robots business unit is primarily due to the 10.5% increase in home robots units shipped as compared to the three months ended March 30, 2013. The decrease in cost of revenue for the three months ended March 29, 2014 in our defense and security business unit resulted from the 49.5% decrease in revenue.

Gross Margin

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total gross margin	\$ 51,710	\$ 46,527	\$ 5,183	11.1%
As a percentage of total revenue	45.3%	43.8%		

Gross margin increased \$5.2 million, or 11.1%, to \$51.7 million (45.3% of revenue) in the three months ended March 29, 2014 from \$46.5 million (43.8% of revenue) in the three months ended March 30, 2013. Gross margin as a percentage of revenue in the home robots business unit increased 2.2 percentage points, and gross margin as a percentage of revenue in the defense and security robots business unit decreased 10.3 percentage points. The 2.2 percentage point increase in the home robots business unit is attributable to the 5.7% increase in net average selling price, driven by the inclusion of the higher margin Roomba 800 series robot sales in the three months ended March 29, 2014. The 10.3 percentage point decrease in the defense and security business unit is attributable to the unfavorable overhead leverage associated with the 49.5% decrease in the defense and security robots business unit revenue in the three months ended March 29, 2014 compared to the three months ended March 30, 2013.

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Research and Development

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total research and development	\$ 16,934	\$ 14,408	\$ 2,526	17.5%
As a percentage of total revenue	14.8%	13.6%		

Research and development expenses increased \$2.5 million, or 17.5%, to \$16.9 million (14.8% of revenue) in the three months ended March 29, 2014 from \$14.4 million (13.6% of revenue) in the three months ended March 30, 2013. This increase is primarily attributable to increases in consultant and contractor costs of \$1.1 million, and increased compensation costs of \$0.7 million. The remaining increase of \$0.7 million relates to increases in occupancy costs, recruiting fees and other office expenses.

Selling and Marketing

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total selling and marketing	\$ 14,532	\$ 10,697	\$ 3,835	35.9%
As a percentage of total revenue	12.7%	10.1%		

Selling and marketing expenses increased by \$3.8 million, or 35.9%, to \$14.5 million (12.7% of revenue) in the three months ended March 29, 2014 from \$10.7 million (10.1% of revenue) in the three months ended March 30, 2013. This increase is primarily attributable to a \$2.7 million increase in marketing expenses incurred during the three months ended March 29, 2014 as compared to the three months ended March 30, 2013, to support the recent launch of the Roomba 800 series robot, and our continued global marketing and branding efforts. Additionally, compensation costs increased \$0.9 million for the three months ended March 29, 2014 as compared to the three months ended March 30, 2013.

General and Administrative

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total general and administrative	\$ 12,264	\$ 12,458	\$ (194)	(1.6)%
As a percentage of total revenue	10.8%	11.7%		

General and administrative expenses decreased by \$0.2 million, or 1.6%, to \$12.3 million (10.8% of revenue) in the three months ended March 29, 2014 from \$12.5 million (11.7% of revenue) in the three months ended March 30, 2013. This decrease is primarily attributable to decreased compensation costs of \$0.4 million, partially offset by increased legal expenses of \$0.3 million in the three months ended March 29, 2014 as compared to the three months ended March 30, 2013. The increase in legal expenses relates to fees incurred in protecting our patents.

Other Income (Expense), Net

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			

Total other income (expense), net	\$	(187)	\$	(96)	\$	(91)	94.8%
As a percentage of total revenue		(0.2)%		—%			

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Other income (expense), net, amounted to \$(0.2) million and \$(0.1) million for the three months ended March 29, 2014 and March 30, 2013, respectively. Other income (expense), net, for the three month periods ended March 29, 2014 and March 30, 2013 consisted primarily of interest income offset by foreign currency exchange losses resulting from foreign currency exchange rate fluctuations.

Income Tax Expense

	Three Months Ended			
	March 29, 2014	March 30, 2013	Dollar Change	Percent Change
	(In thousands)			
Total income tax expense	\$ 2,513	\$ 513	\$ 2,000	389.9%
As a percentage of pre-tax income	32.2%	5.8%		

We recorded a tax provision of \$2.5 million and \$0.5 million for the three month periods ended March 29, 2014 and March 30, 2013, respectively. The \$2.5 million provision for the three month period ended March 29, 2014 resulted in an effective income tax rate of 32.2%. The \$0.5 million provision for the three month period ended March 30, 2013 resulted in an effective income tax rate of 5.8%. The increase in the effective income tax rate from 5.8% for the three month period ended March 30, 2013 to 32.2% for the three month period ended March 29, 2014 was primarily due to legislation that was enacted in January 2013 that included the extension of the federal research and development tax credits. The legislation retroactively reinstated research and development tax credits for 2012 and extended them through December 31, 2013. As a result, we recorded a discrete benefit related to 2012 during the three month period ended March 30, 2013. In addition, the federal research and development tax credits expired at the end of 2013 and have not been enacted for 2014. Therefore, the effective income tax rate of 32.2% for the three month period ended March 29, 2014 does not include any benefit for the federal research and development tax credits.

Liquidity and Capital Resources

At March 29, 2014, our principal sources of liquidity were cash and cash equivalents totaling \$154.8 million, short-term investments of \$30.5 million and accounts receivable of \$36.5 million.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe that this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling production and managing inventory levels. By leasing our office facilities, we also minimize the cash needed for expansion. Accordingly, our capital spending is generally limited to leasehold improvements, computers, office furniture, product-specific production tooling, internal use software and test equipment. In the three months ended March 29, 2014 and March 30, 2013, we spent \$2.2 million and \$1.1 million, respectively, on capital equipment.

Our strategy for delivering home robots products to our distributors and retail customers gives us the flexibility to provide container shipments directly to the retailer from China and, alternatively, allows our distributors and retail partners to take possession of product on a domestic basis. Accordingly, our home robots product inventory consists of goods shipped to our third-party logistics providers for the fulfillment of distributor, retail and direct-to-consumer sales. Our inventory of defense and security and remote presence products consists of finished goods inventory that is generally built to order, as well as spare parts. Our contract manufacturers are responsible for purchasing and stocking the majority of components required for the production of our products, and they typically invoice us when the finished goods are shipped.

The balance of cash and short-term investments of \$185.4 million at March 29, 2014 is primarily the result of cash generated by operations and our on-going focus on managing working capital. As of March 29, 2014, we did not have any borrowings outstanding under our working capital line of credit and had \$1.6 million in letters of credit outstanding under our revolving letter of credit facility.

Discussion of Cash Flows

Net cash used in operating activities for the three months ended March 29, 2014 was \$7.8 million, compared to the \$0.2 million of net cash provided by operating activities for the three months ended March 30, 2013. The net cash used in operating activities was primarily driven by a decrease in cash of \$7.0 million resulting from a decrease in accrued compensation of \$11.9 million in 2014 compared to a decrease of \$4.9 million in 2013 as a result of a larger pay-out of incentive compensation in 2014, a decrease in cash of \$3.1 million resulting from net income of \$5.3 million in 2014 compared to net income of \$8.4 million in 2013, a decrease in cash of

\$2.2 million resulting from an increase in the adjustment to net income to reclassify the tax benefit of excess stock-based compensation deductions from operating activities to financing activities of \$2.2 million

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in 2014 compared to \$43 thousand in 2013, a decrease in cash of \$0.7 million resulting from a decrease in inventory of \$4.1 million in 2014 compared to a decrease of \$4.8 million in 2013, offset by an increase in cash of \$3.0 million resulting from a decrease in accounts payable and accrued expenses of \$9.3 million in 2014 compared to a decrease of \$12.3 million in 2013 as a result of normal purchasing and vendor payment activities, and an increase in cash of \$2.0 million resulting from an increase in deferred revenue and customer advances of \$0.7 million in 2014 compared to an increase of \$2.6 million in 2013 as a result of normal fluctuations in prepayments received from customers in advance of product shipments.

Net cash used in investing activities for the three months ended March 29, 2014 was \$10.9 million, an increase of \$6.3 million compared to the \$4.6 million of net cash used in investing activities for the three months ended March 30, 2013. Capital additions were \$2.2 million and \$1.1 million for the three months ended March 29, 2014 and March 30, 2013, respectively. Cash used for strategic investments was zero and \$2.0 million for the three months ended March 29, 2014 and March 30, 2013, respectively. The \$2.0 million used in 2013 represents an additional investment in the preferred shares of InTouch Technologies, Inc. following our initial investment of \$6.0 million in 2012. The net purchase of investments was \$8.7 million for the three months ended March 29, 2014 and \$1.5 million for the three months ended March 30, 2013. This activity varies from period to period based upon the maturity dates of our investments, yields on the types of short instruments in which we invest, and the level of cash available for investment.

Net cash provided by financing activities for the three months ended March 29, 2014 was \$8.1 million, an increase of \$6.8 million compared to the \$1.3 million of net cash provided by financing activities for the three months ended March 30, 2013. We generated \$7.0 million and \$1.7 million from the exercise of stock options during the three months ended March 29, 2014 and March 30, 2013, respectively. We generated \$2.2 million and \$43 thousand of tax benefits from excess stock-based compensation deductions during the three months ended March 29, 2014 and March 30, 2013, respectively. We spent \$1.1 million and \$0.5 million in the payment of income tax withholdings associated with restricted stock vesting during the three months ended March 29, 2014 and March 30, 2013, respectively.

Working Capital Facilities

Credit Facility

We have an unsecured revolving credit facility with Bank of America, N.A., which is available to fund working capital and other corporate purposes. As of March 29, 2014, the total amount available for borrowing under our credit facility was \$75.0 million, and the full amount was available for borrowing. The interest on loans under our credit facility accrues, at our election, at either (1) LIBOR plus a margin, currently equal to 1.0%, based on our ratio of indebtedness to Adjusted EBITDA (the Eurodollar Rate), or (2) the lender's base rate. The lender's base rate is equal to the highest of (1) the federal funds rate plus 0.5%, (2) the lender's prime rate and (3) the Eurodollar Rate plus 1.0%. The credit facility termination date is December 20, 2018.

As of March 29, 2014, we had no outstanding borrowings under our revolving credit facility. This credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on our ability to incur or guaranty additional indebtedness, create liens, enter into transactions with affiliates, make loans or investments, sell assets, pay dividends or make distributions on, or repurchase, our stock, and consolidate or merge with other entities.

In addition, we are required to meet certain financial covenants customary with this type of agreement, including maintaining a minimum ratio of indebtedness to Adjusted EBITDA and a minimum specified interest coverage ratio.

This credit facility contains customary events of default, including for payment defaults, breaches of representations, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy and failure to discharge certain judgments. If a default occurs and is not cured within any applicable cure period or is not waived, our obligations under the credit facility may be accelerated.

As of March 29, 2014, we were in compliance with all covenants under the revolving credit facility.

Letter of Credit Facility

We have a revolving letter of credit facility with Bank of America, N.A. The credit facility is available to fund letters of credit on our behalf up to an aggregate outstanding amount of \$5 million. We may terminate at any time, subject to proper notice, or from time to time permanently reduce the amount of the credit facility.

We pay a fee on outstanding letters of credit issued under the credit facility of up to 1.5% per annum of the outstanding letters of credit. The maturity date for letters of credit issued under the credit facility must be no later than 365 days following the maturity date of the credit facility, December 20, 2018.

As of March 29, 2014, we had letters of credit outstanding of \$1.6 million under our revolving letter of credit facility. The credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on our ability to

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incur or guaranty additional indebtedness, create liens, enter into transactions with affiliates, make loans or investments, sell assets, pay dividends or make distributions on, or repurchase, our stock, and consolidate or merge with other entities. In addition, we are required to meet certain financial covenants customary with this type of agreement, including maintaining a minimum ratio of indebtedness to Adjusted EBITDA and a minimum specified ratio of EBIT to interest expense.

The credit facility also contains customary events of default, including for payment defaults, breaches of representations, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy, and failure to discharge certain judgments. If a default occurs and is not cured within any applicable cure period or is not waived, the lender may accelerate the obligations under the credit facility.

As of March 29, 2014, we were in compliance with all covenants under the revolving letter of credit facility.

Working Capital and Capital Expenditure Needs

We currently have no material cash commitments, except for normal recurring trade payables, expense accruals and operating leases, all of which we anticipate funding through working capital, funds provided by operating activities and our existing working capital line of credit. We do not currently anticipate significant investment in property, plant and equipment, and we believe that our outsourced approach to manufacturing provides us with flexibility in both managing inventory levels and financing our inventory. We believe our existing cash and cash equivalents, short-term investments, cash provided by operating activities, and funds available through our working capital line of credit will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. In the event that our revenue plan does not meet our expectations, we may eliminate or curtail expenditures to mitigate the impact on our working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the acquisition of new capabilities or technologies, and the continuing market acceptance of our products and services. Moreover, to the extent that existing cash and cash equivalents, short-term investments, cash from operations, and cash from short-term borrowing are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. As part of our business strategy, we may consider additional acquisitions of companies, technologies and products, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Contractual Obligations

Our principal commitments consist of obligations under our working capital line of credit, leases for office space and minimum contractual obligations for services and certain components. Our minimum contractual obligations consist of obligations to key component suppliers for our home robots, which payments are incurred in the ordinary course of business. Other obligations consist of advertising agreements for corporate branding.

Off-Balance Sheet Arrangements

As of March 29, 2014, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

See Footnote 2 to the Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

At March 29, 2014, we had unrestricted cash and cash equivalents of \$154.8 million and short term investments of \$30.5 million. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Some of the securities in which we invest, however, may be subject to market risk. This means that a change in prevailing interest rates may cause the fair market value of the investment to fluctuate. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents in a variety of securities, commercial paper, money market funds, debt securities and certificates of deposit. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. As of March 29, 2014, all of our cash and cash equivalents were held in demand deposits and money market accounts.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we must pay on any outstanding debt instruments, primarily certain borrowings under our working capital line of credit. The advances under the working capital line of credit bear a variable rate of interest determined as a function of the LIBOR rate at the time of the

borrowing. As of March 29, 2014, we do not have any borrowings outstanding under our working capital line of credit. As of March 29, 2014, we had letters of credit outstanding of \$1.6 million under our revolving letter of credit facility.

Exchange Rate Sensitivity

We maintain sales and business operations in foreign countries. As such, we have exposure to adverse changes in exchange rates associated with operating expenses of our foreign operations, but we believe this exposure to be immaterial. Additionally, we accept orders for home robots products in currencies other than the U.S. dollar. We regularly monitor the level of non-U.S. dollar accounts receivable balances to determine if any actions, including possibly entering into foreign currency forward contracts, should be taken to minimize the impact of fluctuating exchange rates on our results of operations. Our international revenue is primarily denominated in U.S. dollars and therefore any fluctuations in the Euro, Japanese Yen or any other non-U.S. dollar currencies will have minimal direct impact on our international revenue. However, as the U.S. dollar strengthens or weakens against other currencies, our international distributors may be impacted, which could affect their profitability and our ability to maintain current pricing levels on our international consumer products.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective at a reasonable assurance level in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms; and (ii) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

From time to time and in the ordinary course of business, we are subject to various claims, charges and litigation. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, which could materially affect our financial condition or results of operations.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 28, 2013, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the fiscal year ended December 28, 2013, other than as set forth below to update for the recent termination of our shareholder rights agreement.

Provisions in our certificate of incorporation and by-laws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- limitations on the removal of directors;
- a classified board of directors so that not all members of our board are elected at one time;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

The affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote is necessary to amend or repeal the above provisions of our certificate of incorporation. In addition, absent approval of our board of directors, our by-laws may only be amended or repealed by the affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote.

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In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

Item 5. Other Information

Our policy governing transactions in our securities by our directors, officers, and employees permits our officers, directors, funds affiliated with our directors, and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. We have been advised that certain of our officers and directors (including Glen Weinstein, Executive Vice President and Chief Legal Officer, and Paolo Pirjanian, Executive Vice President and Chief Technology Officer) have entered into trading plans (each a “Plan” and collectively, the “Plans”) covering periods after the date of this quarterly report on Form 10-Q in accordance with Rule 10b5-1 and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of our executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. We, however, undertake no obligation to update or revise the information provided herein.

Item 6. Exhibits

Exhibit Number	Description
10.1*#	Manufacturing Services Agreement between iRobot Corporation and Kin Yat Industrial Company Limited, dated January 22, 2014
31.1*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 29, 2014 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements

* Filed herewith

** Furnished herewith

Confidential treatment has been requested for portions of this exhibit.

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.

iROBOT CORPORATION

Date: May 2, 2014

By: /s/ Alison Dean

Alison Dean

Executive Vice President and Chief Financial Officer (Duly
Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

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- * Filed herewith
 - ** Furnished herewith
 - # Confidential treatment has been requested for portions of this exhibit.

MANUFACTURING SERVICES AGREEMENT

between

KIN YAT INDUSTRIAL COMPANY LIMITED

and

IROBOT CORPORATION

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

MANUFACTURING SERVICES AGREEMENT

This Non-Exclusive Manufacturing Agreement (this “**Agreement**”) is entered into by and between Kin Yat Industrial Company Limited, (“**Kin Yat**”), having offices at 7/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong, and iRobot Corporation, a Delaware corporation (“**iRobot**”), having its principal place of business at 8 Crosby Drive, Bedford, MA 01730. Kin Yat and iRobot are referred to herein as “**Party**” or “**Parties**”.

RECITALS

A. Kin Yat is in the business of providing sophisticated manufacturing services that are unique in kind and quality, including designing, developing, manufacturing, testing, configuring, assembling, packaging and shipping highly specialized electronic assemblies and systems.

B. iRobot is in the business of designing, developing, distributing, marketing and selling products containing highly specialized electronic assemblies and systems.

C. Whereas, the Parties desire that Kin Yat manufactures, tests, configures, assembles, packages and/or ships certain electronic assemblies and systems pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

TERMS

1 **Definitions.** In addition to terms defined elsewhere in this Agreement, the capitalized terms set forth below shall have the following meaning:

1.1 “**Additional Services**” means services such as, design for manufacturability, manufacturing design test support, computer assisted design for manufacturability, test development services, volume production and advanced packaging technologies all as specified and approved by iRobot and agreed to by Kin Yat.

1.2 “**Affiliate**” means with respect to a Person, any other Person which directly or indirectly controls, or is controlled by, or is under common control with, the specified Person. For purposes of the preceding sentence, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, or direct or indirect ownership (beneficially or of record) of, or direct or indirect power to vote, 50% or more of the outstanding shares of any class of capital stock of such Person (or in the case of a Person that is not a corporation, 50% or more of any class of equity interest).

1.3 “**Assigned Components**” means the components or materials specifically identified in Schedule 1 as “assigned” and for which iRobot has identified the applicable supplier from whom Kin Yat is authorized to source such component or material for incorporation into the Product.

1.4 “**AVL**” means the confidential list of Suppliers Designated by iRobot from which Kin Yat is authorized to purchase the applicable Assigned Components and Generic Components, if any for use in the manufacture of Products.

1.5 “**Class Failure**” “**Class Failure**” means a defect caused by (i) Kin Yat’s failure to manufacture the Product to conform to the Specifications or other requirements in this Agreement, or (ii) the failure of Kin Yat to comply with any applicable law, rule, regulation, court order or decree that is applicable to Kin Yat’s performance of its obligations set forth in this Agreement, or (iii) the gross negligence or willful misconduct of Kin Yat’s personnel performing Manufacturing Services for iRobot under this Agreement; wherein, such defect occurs in more than [***], attributable to the same root cause, of the total number of a particular Product (as identified by the applicable Product serial numbers) supplied under this Agreement over a rolling [***] period within the Warranty Period.

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1.6 **Kin Yat** shall be defined to include any Kin Yat Subsidiary. (if applicable).

1.7 **“Commercially Reasonable Efforts”** means those efforts that would be deemed both commercially practicable and reasonably financially prudent after having taken into account all relevant commercial considerations. “Relevant commercial considerations” shall be deemed to include, without limitation, (1) all pertinent facts and circumstances; (2) financial costs; (3) resource availability and impact; (4) probability of success; and (5) other commercial practicalities.

1.8 **“Components”** means those Assigned Components, Generic Components, and Consigned Components.

1.9 **“Consigned Components”** means those components or materials specifically identified in Schedule 1 as “consigned” and provided by or on behalf of iRobot to Kin Yat for assembly into Products.

1.10 **“Defect”** means Product that does not conform to Specifications within the warranty Period, resulting from, but not limited to, non-conforming Components, materials, processes, packaging, and transportation.

1.11 **“EDI”** shall mean electronic data interchange.

1.12 **“Effective Date”** shall mean the date upon which the terms and conditions of this Agreement shall become effective by and between the Parties. The Parties have agreed that the Effective Date of this Agreement shall be **September 23, 2013**.

1.13 **“Encumbrance”** means any encumbrance, lien, charge, hypothecation, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, right of set-off, any matter capable of registration against title, option, right of pre-emption, privilege or any contract to create any of the foregoing.

1.14 **“Fee and Price Schedule”** shall mean the prices and fees set forth in Schedule 2 for the applicable Product identified therein, and any future Fee and Price Schedule for new Product as added in writing from time to time upon mutual agreement of the Parties.

1.15 **“FCA”** means that Kin Yat must at its own expense and risk deliver the Product cleared for export into the custody of the designated carrier at the applicable Port of Origin.

1.16 **“Generic Components”** means the components or materials identified in Schedule 1 for incorporation into the Product and for which iRobot has not identified any specific supplier or source from whom Kin Yat is authorized to source such component or material.

1.17 **“including”** shall be defined to have the meaning “including, without limitation.”

1.18 **“in writing”** shall mean written documents, EDI with phone confirmation, verified faxes and successfully transmitted e-mails.

1.19 **“Intellectual Property”** means any and all intellectual property and tangible embodiments thereof, including without limitation inventions, discoveries, designs, specifications, developments, methods, modifications, improvements, processes, know-how, show-how, techniques, algorithms, databases, computer software and code (including software and firmware listings, assemblers, applets, compilers, source code, object code, net lists, design tools, user interfaces, application programming interfaces, protocols, formats, documentation, annotations, comments, data, data structures, databases, data collections, system build software and instructions), mask works, formulae, techniques, supplier and customer lists, trade secrets, graphics or images, text, audio or visual works, materials that

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document design or design processes, or that document research or testing, schematics, diagrams, product specifications and other works of authorship.

1.20 **“Intellectual Property – KIN YAT”** shall mean both Intellectual Property – Created by Kin Yat and Intellectual Property - Existing by Kin Yat, collectively.

1.21 **“Intellectual Property – Created by Kin Yat”** means any improvements to the Technical Manufacturing Information – KIN YAT that are newly created or developed, and reduced to practice by Kin Yat in (i) preparing any Product provided pursuant to this Agreement, or (ii) performing the Manufacturing Services or any other work provided pursuant to this Agreement; but shall not include any Intellectual Property - Existing by Kin Yat.

1.22 **“Intellectual Property – Existing by “Kin Yat”** means any Intellectual Property, including the Technical Manufacturing Information – KIN YAT, created or developed by Kin Yat outside the scope of this Agreement during the Term or owned or controlled by Kin Yat prior to the execution of this Agreement; and all improvements, modifications or enhancements to the foregoing made by or on behalf of Kin Yat.

1.23 **“Intellectual Property Rights”** means, collectively, all rights in, to and under patents, trade secret rights, copyrights, trademarks, service marks, trade dress and similar rights of any type under the laws of any governmental authority, including without limitation, all applications and registrations relating to the foregoing.

1.24 **“iRobot Intellectual Property”** means all Intellectual Property, tangible embodiments thereof and all other materials provided or made available to Kin Yat by iRobot, including, without limitation the Specifications.

1.25 **“iRobot Property”** means all property, including all Product and Consigned Components, other Components paid for by iRobot, inventories, work in process (WIP), Loaned Equipment, Specifications, test equipment, software and documentation, and support maintenance or design documentation, furnished to Kin Yat by iRobot or otherwise paid for by iRobot in connection with this Agreement for Kin Yat’s use in performing its obligations hereunder.

1.26 **“iRobot Quarter End”** means iRobot’s fiscal calendar which follows the 4-4-5 week format identified in Schedule 6, which Schedule shall be updated by iRobot on an annual basis on or before December 1st.

1.27 **“Lead-time”** means the mutually agreed upon minimum amount of time in advance of shipment that Kin Yat must receive a Purchase Order in order to deliver Product by the requested delivery date.

1.28 **“Loaned Equipment”** means capital equipment (including tools) which is loaned to Kin Yat by or on behalf of iRobot to be used by Kin Yat to perform the Manufacturing Services and includes all equipment, tools and fixtures purchased specifically for iRobot, by Kin Yat, to perform the Manufacturing Services and that are paid for in full by iRobot.

1.29 **“Manufacturing Services”** means the services performed by Kin Yat hereunder which shall include but not be limited to manufacturing, testing, configuring, assembling, packaging and/or shipping of the Product, and all Reasonable and Customary Support Services, and any Additional Services, all in accordance with the Specifications.

1.30 **“Marks”** means trademarks, service marks, trademark and service mark applications, trade dress, trade names, logos, insignia, symbols, designs or other marks identifying a Party or its products.

1.31 **“Materials Declaration Requirements”** means any requirements, obligations, standards, duties or responsibilities pursuant to any environmental, product composition and/or materials declaration laws, directives, or regulations, including international laws and treaties regarding such subject matter; and any regulations, interpretive guidance or enforcement policies related to any of the

foregoing, including, but not limited to, the following examples: Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restriction of the use

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of certain hazardous substances in electrical and electronic equipment (“RoHS”), Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (“WEEE”), and European Union Member State implementations of the foregoing; the People’s Republic of China (PRC) Measures for the Administration of the Control of Pollution by Electronic Information Products (China RoHS) (电子信息产品污染控制管理办法) promulgated on February 28, 2006 (including any pre-market certification (“CCC mark”) requirements thereunder and including relevant standards adopted by the PRC Ministry of Information Industry or other applicable PRC authority); PRC General Administration of Quality Supervision, Inspection and Quarantine’s Circular 441 (2006); Japanese Industrial Standard C0950:2005(J-Moss Japan RoSH); the California Electronic Waste Recycling Act of 2003; Act on the Recycling of Electrical and Electronics Equipment and Automobiles (1.1.2008) (Korea RoHS), Waste Act (2004) and secondary legislation (based on EU directives) (Croatia), Regulation (EC) No 1907/2006, Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), establishing a European Chemicals Agency amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC and/or other similar legislation. The Materials Declaration Requirements shall include compliance with Brazil RoHS, Mexico RoHS and Argentina RoHS as each of these countries promulgates their own legislation.

1.32 **Conflict Minerals.**

Kin Yat represents and warrants that it is in full compliance with conflict minerals laws, including, without limitation, Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 as it may be amended from time to time and any regulations, rules, decisions or orders relating thereto adopted by the Securities and Exchange Commission or successor governmental agency responsible for adopting regulations relating thereto (collectively, “Dodd-Frank Section 1502”). Kin Yat must cooperate with iRobot to make available to iRobot and/or its agents, material declarations that identify the sources of and amount of all substances contained in the Products. Unless iRobot specifically agrees in writing that a particular Product may contain a particular material, Kin Yat will also provide a statement that the Products do not contain various materials at issue in applicable laws and regulations. Kin Yat must declare each Product’s compliance to all applicable hazardous material legislation and identify any substances that are banned or must be declared under applicable laws. In addition, Kin Yat will use Commercially Reasonable Efforts to make available documentation that supports the declaration. Without limiting the generality of the foregoing, Kin Yat agrees to disclose to iRobot, upon iRobot’s request, to the extent known or discoverable by Kin Yat following reasonable inquiry, the original source of all minerals contained in the Product. If Kin Yat does not know the original source of the minerals, Kin Yat agrees to cooperate with iRobot, including disclosing from whom Kin Yat purchased the minerals and urging others to disclose such information, so that the original source of minerals can be accurately determined and reported. Kin Yat shall comply with all laws regarding the sourcing of minerals, including, without limitation, laws prohibiting the sourcing of minerals from mines controlled by combatants and Dodd-Frank Section 1502. Without any further consideration, Kin Yat shall provide such further cooperation as iRobot may reasonably require in order to meet any obligations it may have under conflict minerals laws, including, without limitation, under Dodd-Frank Section 1502.

1.33 **“Minimum Volume”** means the minimum volume, if any, set forth on Schedule 1 for a particular Product.

1.34 **“Newly Created Intellectual Property”** means, other than the Kin Yat Intellectual Property, any and all Intellectual Property, tangible embodiments thereof and all other materials created, developed, reduced to practice, or otherwise resulting from any work, Manufacturing Services or other services performed by either or both Parties, including, but not limited to, by any of its or their employees, agents or contractors, under this Agreement.

1.35 **“Non-Conforming Product”** means any Product that does not conform to the Specifications.

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company’s application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

1.36 **“Non-Disclosure Agreement”** means that certain Mutual Non-Disclosure Agreement between the Parties dated August 29, 2006, attached hereto as Schedule 4.

1.37 **“NRE Costs”** shall consist of expenses, excluding the Waived NRE Costs, incurred by Kin Yat under this Agreement, including design engineering services, testing, fixturing and tooling and other out-of-pocket costs, in each case for work performed by Kin Yat for iRobot pursuant to iRobot’s prior written consent. For the avoidance of doubt, NRE Costs shall not include any costs or expenses incurred by Kin Yat for any Reasonable and Customary Support Services.

1.38 **“Port of Origin”** means [***] or another port designated by iRobot in writing.

1.39 **“Packaging and Shipping Specifications”** means the packaging and shipping specifications set forth in Schedule 1 and otherwise supplied and/or approved by iRobot.

1.40 **“Person”** means any corporation, business entity, natural person, firm, joint venture, limited or general partnership, limited liability entity, limited liability partnership, trust, unincorporated organization, association, government, or any department or agency of any government.

1.41 **“Product Specifications”** means the technical specifications and requirements provided by iRobot to Kin Yat for the manufacture and supply of Products or the provision of Manufacturing Services, including all manufacturing information, technical data and manuals, design information, drawings, documentation, packaging requirements, testing requirements, Specifications, or any other criteria written and provided to Kin Yat by iRobot, including the Quality and Test Procedures, the Packaging and Shipping Specifications, and the Materials Declaration Requirements.

1.42 **“Products”** means the products manufactured and assembled by Kin Yat on behalf of iRobot under this Agreement as identified in Schedule 1 (or any subsequent Schedule 1 prepared for any product to be manufactured hereunder) including any updates, renewals, modifications or amendments thereto.

1.43 **“Production Start Date”** means the first day immediately following the business week during which Kin Yat manufactures and delivers against the product quantities listed in Schedule 1

1.44 **“Proprietary Information and Technology”** means “Proprietary Information” as defined in the Non-Disclosure Agreement, as amended in Section 16 below.

1.45 **“Reasonable and Customary Support Services”** mean all services and activities related to reporting for iRobot and its customers, root cause analysis, testing, trials, inventory audits and reconciliation, development and delivery of samples, participation and support of any new Product introduction.

1.46 **“Product”** means any and all configurations of the “Product” SKUs manufactured and assembled by Kin Yat on behalf of iRobot under this Agreement as identified in the initial Schedule 1 to this Agreement.

1.47 **“Specifications”** means the technical specifications for manufacturing Products under this Agreement as set forth in Schedule 1, any bill of materials, designs, schematics, assembly drawings, process documentation, test specifications, current revision number, and Approved Vendor List, and other requirements otherwise supplied and/or approved by iRobot. Specifications may be amended from time to time by amendments in the form of written engineering change orders agreed to by the Parties.

1.48 **“SOW”** means the statement of work for each Product set forth in any Schedule 1 as amended in writing from time to time upon mutual agreement of the Parties.

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

1.49 “**Subsidiary(ies)**” means any corporation, partnership, joint venture, limited liability entity, trust, association or other business entity of which a Party or one or more of its Subsidiaries, owns or controls more than 50% of the voting power for the election of directors, managers, partners, trustees or similar parties.

1.50 “**Suppliers Designated by iRobot**” means suppliers designated, specified and/or approved by iRobot.

1.51 “**Technical Manufacturing Information – KIN YAT**” means the manufacturing information, process and technology used by Kin Yat or third parties under its control to design, develop, test or manufacture the Products including, but not limited to: (i) specifications, software, test software, schematics, drawings, designs, mask works, topography or other materials pertinent to the most current revision level of manufacturing of the Products; (ii) copies of all inspection, manufacturing, test and quality control procedures and any other work processes; (iii) jig, fixture and tooling designs; (iv) Kin Yat general knowledge and information relating to the Products; and (v) support documentation.

1.52 “**Term**” means the Initial Term and each Renewal Term, collectively.

1.53 “**Quality and Test Procedures**” means the testing specifications, quality requirements, standards, procedures and parameters supplied and/or approved by iRobot, including without limitation, the specifications and quality requirements plans for the Product and certain Components attached hereto as Schedule 3.

1.54 “**Waived NRE Costs**” means, collectively, [***].

2 List of Schedules. This Agreement includes the following Schedules for each Product to be manufactured hereunder, which are hereby incorporated herein and made a part of this Agreement:

- Schedule 1 – Statement of Work and Specifications
- Schedule 2 – Fee and Price Schedule (Final Kin Yat Quote)
- Schedule 3 – Quality and Test Procedures
- Schedule 4 – Non-Disclosure Agreement
- Schedule 5 – Trademark Usage Guidelines
- Schedule 6 – iRobot Quarter End

3 Manufacturing Services. Kin Yat will manufacture the Product in accordance with the Specifications and any applicable Purchase Order. When requested by iRobot, and subject to appropriate fee and cost adjustments, Kin Yat will provide Additional Services for existing or future Product manufactured by Kin Yat for iRobot. iRobot shall be solely responsible for the sufficiency and adequacy of the Specifications.

3.1 Quality and Test Procedures. All Products manufactured and supplied by Kin Yat shall, at minimum, adhere to this Agreement and the Specifications attached hereto. Kin Yat shall continuously perform the applicable quality tests and procedures and monitor such compliance at all times, including during the preparation for production as well as during production. In addition to the minimum required tests specified, Kin Yat shall employ its own internal quality system and apply the necessary tools, processes and procedures to ensure that the contracted Product covered by this Agreement complies with the Specifications. This may include, but not be limited to, process control for parts and assemblies, incoming inspection of fabricated or sourced parts, final inspections, subassembly inspections and testing, etc. iRobot shall be solely responsible for the sufficiency and adequacy of the Specifications. Kin Yat is responsible for designing and/or purchasing and maintaining all necessary test and fixture equipment to conduct such testing and procedures. Kin Yat is responsible for worker’s training, worker’s instructions, preventive and/or on-conditional (as needed) maintenance plans, and calibration plans.

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3.2 Packaging and Shipping. Kin Yat will package and ship the Product in accordance with the Packaging and Shipping Specifications. iRobot shall be solely responsible for the sufficiency and adequacy of the Packaging and Shipping Specifications. In the event Kin Yat fails to comply with the Packaging and Shipping Specifications, Kin Yat will reimburse iRobot for the cost of rework to the extent that such error can be rectified with rework.

3.3 Items to be Supplied by iRobot. iRobot shall supply to Kin Yat, according to the terms and conditions specified herein, iRobot Proprietary Information and Technology and, if applicable, the Loaned Equipment if any, and Consigned Components pursuant to Section 12.1. iRobot will also provide to Kin Yat all Specifications, Quality and Test Procedures, Packaging and Shipping Specifications, Product design drawings, approved vendor listings where applicable, material component descriptions (including approved substitutions), manufacturing process requirements, and any other specifications necessary for Kin Yat to perform the Manufacturing Services. iRobot shall be solely responsible for delay in delivery, defects and enforcement of warranties related to the Consigned Components.

3.4 Items to be Supplied by Kin Yat. Kin Yat will employ the Kin Yat Manufacturing Process, the Reasonable and Customary Support Services, any required manufacturing technology, manufacturing capacity, labor, manufacturing and quality related fixtures, design services in support of manufacturing process (to include fixture design), transportation logistics (as required by FCA Port of Origin), systems and facilities necessary for Kin Yat to perform the Manufacturing Services. It is expected that engineering support (at Kin Yat's expense) of product, packaging and process improvements will continue for the life of the Product, even after all requirements are met. Tooling that is designed and fabricated specific to manufacture, assembly, inspection or testing of iRobot Product is the sole property of iRobot, including related design documentation

3.5 Facilities Access. iRobot shall have the right, during normal business hours by appointment and at its expense to inspect, review, monitor and oversee the Manufacturing Services, provided that such inspection shall not disrupt Kin Yat's normal business operations. iRobot shall cause each of its employees, agents and representatives who have access to Kin Yat's facilities, to maintain, preserve and protect all Proprietary Information and Technology of Kin Yat and the confidential or proprietary information and technology of Kin Yat's other customers in accordance with the Non-Disclosure Agreement. iRobot shall further have the right to bring iRobot's customers to Kin Yat's facility, by appointment and under the same obligations to Kin Yat surrounding protection of Kin Yat's Proprietary Information and Technology and Kin Yat's customers' confidential or proprietary information and technology. iRobot's employees have the right to obtain relevant artifacts (such as reports, process tracking charts etc.) and take photographs and videos of iRobot related Products, Components, manufacturing processes, tests, fixtures, tools or items at any time during the inspection with the consent of Kin Yat whose consent shall not be unreasonably withheld.

3.6 Materials Procurement.

3.6.1 Kin Yat will use Commercially Reasonable Efforts to procure Assigned Components and Generic Components from the applicable designated supplier per iRobot's AVL, where applicable, and otherwise from suppliers chosen by Kin Yat and approved by iRobot, in amounts necessary to fulfill Purchase Orders against the Forecasts. Kin Yat will be responsible for the quality inspection of all Components (except for the Consigned Components) and all other parts and adherence to the Product Specifications in the assembly and manufacturing process. iRobot will be responsible for the part functionality set forth in the iRobot Specifications. Kin Yat is responsible for managing, and the performance of, the suppliers of the Assigned Components and Generic Components, including but not limited to purchasing, component inventory control, customs paperwork and Value Added Tax (VAT), and is ultimately responsible for verifying that all Components conform to the Product Specifications. iRobot will be responsible for managing the pipeline of iRobot controlled Consigned Components. Kin Yat will be responsible for managing the pipeline of all Assigned Components, Generic Components, and any Consigned Components controlled by Kin Yat. Kin Yat shall use Commercially Reasonable Efforts to obtain terms and conditions that from all suppliers that allow return privileges for Generic Components (subject to agreed upon reasonable minimum order quantities). iRobot may authorize Kin Yat to procure Generic Components and Assigned Components necessary, without a Purchase

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Order, by issuing a written authorization to purchase such Components (“**Material Authorization**”), to meet specific Forecast or Purchase Order demand. In the event of schedule changes, Kin Yat shall use Commercially Reasonable Efforts to cancel all applicable material and parts purchase orders and reduce material and parts inventory through return for credit programs or allocate such materials and parts for other customer orders. iRobot shall be responsible for all liability for materials and parts Kin Yat cannot return or reuse elsewhere after Commercially Reasonable Efforts to mitigate such liability, if those materials were ordered by Kin Yat acting on iRobot’s Material Authorization or Purchase Order. Kin Yat’s obligation to exercise Commercially Reasonable Efforts to return/reuse any materials shall extend to all Components (except for the Consigned Components not controlled by Kin Yat) regardless of classification.

3.6.2 End of Life Component Reporting. Kin Yat is responsible for continuous monitoring of the AVL for end-of-life component condition. Kin Yat is responsible for periodic reporting, no less frequently than [***] of the market condition for each component of any currently in production by iRobot’s product AVL.

3.6.3 Long-Lead Components. Kin Yat shall not purchase any Component designated in Schedule 2 as a “long lead” Component by iRobot without a Material Authorization. Kin Yat shall use Commercially Reasonable Efforts to continuously improve lead time for all Components. With iRobot’s prior written consent, Kin Yat may pre-purchase Generic Components and Assigned Components, or pre-build sub assemblies, modules, core robots or even completed SKU quantities in order to meet Forecast volumes, or anticipated volumes under Purchase Orders.

3.6.4 Exclusive Components. With respect to any Assigned Components or Consigned Components (controlled by Kin Yat) that have been customized by a supplier or manufacturer specifically for any iRobot Product, Kin Yat shall require each such supplier not to sell or supply such custom Component to any other Person.

3.7 Materials Declaration.

3.7.1 iRobot shall notify Kin Yat in writing of the specific Materials Declaration Requirements that iRobot determines to be applicable to the Products and shall be solely liable for the adequacy and sufficiency of such determination and information. Kin Yat shall be responsible for collecting, and having available at all times, all third party supplier’s documentation certifying compliance with such Materials Declaration Requirements with respect to any and all components, parts or material used in connection with the Manufacturing Services under this Agreement. Kin Yat shall utilize its supplier qualification process to ensure that each supplier, its Components and its documentation are trustworthy and in compliance with all such Materials Declaration Requirements. Upon written request of iRobot, Kin Yat shall provide to iRobot copies of such documents, including any compliance certificates.

3.7.2 Without limiting the foregoing Section 3.7.1, Kin Yat shall ensure that it has enforceable agreements with each of its suppliers under this Agreement, excluding suppliers of Consigned Components, so that Kin Yat may fulfill Kin Yat’s obligations under this Section 3.7.1 and that iRobot is an intended third party beneficiary under such agreements.

3.8 Product Evaluation. Acceptance of the Product will occur upon iRobot’s or its designee’s receipt of the Product. Notwithstanding the foregoing, iRobot reserves the right to inspect or evaluate the Product to determine if it conforms, in all material respects, to the Specifications, either at Kin Yat’s premise or third party location. Given reasonable and adequate advance notification to Kin Yat and by appointment, iRobot may, at its discretion, perform inspections of the Product at random or on a continual basis, on site at Kin Yat’s premises. In the event that the Product does not meet the Specifications, such Product will be deemed Non-Conforming and iRobot will have all available remedies with respect to Non-Conforming Products as set forth in this Agreement. Acceptance, inspection or evaluation by iRobot does not relieve Kin Yat of its obligations to the services and warranties as set forth in this Agreement.

3.9 Purchase Order Performance.

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3.9.1 Kin Yat shall fill and deliver the Products purchased under a Purchase Order by the due date specified on such Purchase Order. Purchase Orders to Kin Yat will be launched at lead-times mutually agreed between Kin Yat and iRobot in advance of issuance of Purchase Orders.

3.9.2 Kin Yat agrees that time is of the essence with respect to all deliveries and performance. If Kin Yat fails to timely perform or deliver within [***] of the delivery requirements of any standalone Purchase Order from iRobot, for reasons under Kin Yat's direct control, Kin Yat is liable to iRobot for all direct, reasonable costs incurred as a result of such delay including expediting costs. In the event of a delay, Kin Yat shall use Commercially Reasonable Efforts to expedite delayed Products and/or performance, shall pay all reasonable expediting costs, including expedited delivery costs.

3.9.3 For purposes of this Agreement, “**On-time**” delivery means: delivery of 100% of the Products purchased under a Purchase Order are delivered by the due date indicated on iRobot's Purchase Order for such Products minus [***], plus [***]. Kin Yat will monitor and report to iRobot monthly “On-time” delivery per Purchase Order, and such report shall include the number of Purchase Orders placed by iRobot within the Lead Time versus number of Purchase Orders delivered On-time.

3.10 Assigned and Consigned Components.

3.10.1 iRobot may elect to assign a specific supplier and part number for any component or material, including for example; rechargeable batteries, battery chargers, masked IC components, motors, packaging material, and gears. In such case, Kin Yat shall source such Assigned Components from the applicable supplier and implement supply optimization inventory practices. Kin Yat will be responsible for all purchasing, quality control, component inventory control, [***] inventory management, customs paperwork and VAT for all Assigned and Generic Components. Kin Yat shall handle all Components as required by the Product Specification and as otherwise instructed by iRobot, and shall be responsible for any and all expenses related to its compliance with such material handling requirements. In the event that iRobot elects to transfer to Kin Yat the purchasing responsibility for any Consigned Component, Kin Yat shall assume such responsibility as soon as reasonably practicable. The Parties will work in good faith to identify and implement all reasonable measures to allow for Kin Yat to assume such purchasing responsibility for such Consigned Component. Except for any Consigned Components controlled by Kin Yat pursuant to this Section 3.10.1, iRobot shall be solely responsible for delay in delivery, defects and enforcement of warranties related to all Consigned Components.

3.10.2 Kin Yat will segregate, conspicuously identify and safeguard all iRobot owned and Consigned Components in such fashion to clearly identify the Consigned Components as the property of iRobot. Kin Yat shall maintain all Components, at its own expense, in efficient working order and good repair, and otherwise in accordance with the Product Specifications.

3.10.3 Upon placement of Consigned Components into Kin Yat's facility, title and possession of the materials shall transfer to iRobot as if it were an actual shipment of Product to iRobot. Insurance covering the Consigned Components will be the responsibility of iRobot. Such insurance includes a waiver of subrogation against Kin Yat. Kin Yat shall hold inventory on consignment for support of iRobot's Products and business at levels mutually agreed upon by iRobot and Kin Yat, but no less than an amount to satisfy Purchase Orders against the current Forecasts. Kin Yat will at all times utilize [***] inventory management for all Consigned Components. In the event that Kin Yat's failure to utilize [***] inventory management for all Consigned Components results in any such Component remaining in Kin Yat's inventory for more than [***], then Kin Yat shall, at its own expense, coordinate with the applicable supplier for the return and replacement of such Components for new or properly updated Components. If “iRobot” does not place Purchase Orders that consume Consigned Components consistent with applicable Forecast, the Parties will negotiate in good faith the disposition of Consigned Components held by Kin Yat. Kin Yat shall provide to iRobot upon request an accounting of all Consigned Components and all other Components, Products and materials of iRobot at Kin Yat's premises or otherwise under Kin Yat's control with reasonable details.

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3.10.4 Sales of Products and Components. Without iRobot's prior written consent, Kin Yat shall not, directly or indirectly, sell, supply or otherwise transfer any Product or Component to any Person other than iRobot or iRobot's designated customer or distributor.

4 Quality

4.1 Governing Quality documents.

4.1.1 General Quality Requirements. Kin Yat shall comply with the requirements stated therein for defining general iRobot supplier quality performance.

4.1.2 Production Line Test Specification (PLTS). The PLTS is provided to Kin Yat by iRobot in order for Kin Yat to establish a production line test process to verify and to demonstrate that the contracted product has been assembled and minimally tested to meet the product requirements as defined in the relevant product specifications

4.1.3 Design Validation Test Specification (DVTS). Suppliers who provide design services to iRobot shall demonstrate that the contracted product has been designed and qualification tested according to the DVTS to meet the performance requirements of its intended application as defined in the relevant product specifications.

4.2 Quality Management System. Kin Yat shall maintain a Quality System that is certified to an internationally recognized quality management system standard, such as ISO 9001 or equivalent.

4.3 Engineering Changes. Kin Yat shall not make any changes to product or design without receiving prior written approval from iRobot for the change request and for implementation of the change into production.

4.4 Manufacturing Changes. Kin Yat shall not make any changes to the manufacturing process that may affect the product form, fit, function or safety without receiving prior written approval from iRobot.

4.5 Defects. Defects in product resulting in failure to meet iRobot product specifications, due to inadequate assembly procedures and production verification testing are the responsibility of the Kin Yat regardless of whether the defect occurred during manufacturing or after iRobot acceptance.

4.6 Corrective Action. In the event that defects are produced, Kin Yat shall notify iRobot and implement containment activities to prevent further defective product from affecting iRobot supply chain. For defective product within Kin Yat's supply chain, Kin Yat shall make necessary arrangements, at its sole expense, to screen, rework and / or replace. Kin Yat shall supply to iRobot a written corrective action plan of its root cause(s) investigation and actions to prevent recurrence of identified root cause(s)

4.7 Quality Control Plan (QCP). Kin Yat shall develop a Quality Control Plan (QCP), approved by iRobot, to define the necessary process controls and production testing and inspection methods to ensure the fabrication and assembly processes deliver products that meet the Specifications supplied by iRobot.

4.8 Subcontractor Qualification. Kin Yat shall be responsible for qualifying all subcontractors of all Assigned Components and Generic Components pursuant to Kin Yat's existing qualification methodology and process.

4.9 Serial Number identification and traceability. Kin Yat shall identify each unit of the contracted product produced with a unique identifier number. This serial number shall provide information relevant to the date of production, shift, line, and traceability to critical component lots/batches and processes. The format of this serial number shall be agreed upon between Kin Yat and iRobot prior to commencement of production.

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4.10 Certifications. Regulatory compliance certifications are required as a condition for the production, shipment, sale, and disposal of all iRobot products, and as such, iRobot is obligated to maintain a commitment to meeting all regulatory compliance requirements. As a condition of the compliance certification process, the Products and Kin Yat's manufacturing facility shall be subject to periodic audits and certification testing. Kin Yat shall provide objective evidence that it meets such requirements pertaining to all regulatory, quality, and compliance requirements and will provide such information upon request from iRobot. Objective evidence shall include, but is not limited to, existing certification documents and certification inspection reports from Kin Yat and each of its suppliers.

4.10.1 Product Specific Certifications. iRobot is responsible for maintaining all existing product certifications. Kin Yat shall comply, and shall cause its suppliers to comply, with any and all Product specific, certification-related requirements such as: informing iRobot of the source and manufacturing part number of every Component and validation that Kin Yat's processes are compliant to such certification requirements. Kin Yat shall support all recertification requirements for all Product certifications. All Product licenses and Product certifications shall be in iRobot's name. In the event that iRobot requires Product changes which result in Product recertification, iRobot will bear any licensing and external testing fees for all such Product certifications. In the event that Kin Yat requires Product changes which result in Product recertification, Kin Yat will notify iRobot immediately and bear any licensing and external testing fees for all product certifications.

4.10.2 Manufacturing Facility Specific Certifications. Kin Yat shall support and maintain any pre-requisite site specific requirements related to the Product certification requirements. Kin Yat shall bear any fees associated with these pre-requisite site specific certifications. All pre-requisite site specific certifications shall be maintained in Kin Yat's name. In the event that iRobot requires product or business changes which result in additional site specific certifications by Kin Yat, Kin Yat shall promptly take all actions necessary to comply with such requirements. In addition, Kin Yat shall promptly execute documents and take such further action as iRobot shall reasonably request in order to comply with any certification required by any customer or distributor of iRobot.

4.10.3 Records Retention. For a period of [***] from delivery of each Product (items produced under the [***] are considered Product), Kin Yat shall maintain accurate and complete records for all Products manufactured hereunder, including, but not limited to, all configuration and engineering records. This shall include all records relating to product traceability to ensure both forward and reverse traceability. Records shall contain, as a minimum, all information relating to the following:

[***]

4.10.4 Product specification and standards. All Products must conform in all respects to the Product Specifications provided by iRobot for the items stated on the bill of materials or Purchase Order. Any Kin Yat proposed change to Product requires mutual agreement in writing prior to implementing such change. Kin Yat shall notify iRobot in writing and receive approval of any changes to Components, other materials, parts or sources of supply, process chemistries, test procedures, quality reporting or other major processes, and to ensure that any such changes do not compromise the requirements under this Agreement or the Specifications, quality, or reliability of Products ordered, or which may affect form, fit or function.

4.10.5 Secure Testing Facility. Kin Yat shall provide intellectual property secure on-site facilities for iRobot's final inspection quality control team, as well as the necessary inspection technicians to assist during inspections.

4.11 Returned Products. Kin Yat shall establish a program for analyzing Product returns and for tracking Product return rates and failure types. Kin Yat will utilize iRobot provided Return product information in such analysis and tracking. Kin Yat shall provide objective evidence to demonstrate appropriate corrective actions, as needed, to address Product Returns root cause.

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4.12 Recalls. If iRobot reasonably decides to, or is required by any government authority or court of competent jurisdiction to, initiate a product recall, withdrawal or field correction with respect to, or if there is any governmental seizure of, any Product, iRobot will notify Kin Yat of the details regarding such action, including providing copies of all relevant documentation concerning such action. Kin Yat will assist iRobot in investigating any such situation and all regulatory contacts that are made and all activities concerning seizure, recall, withdrawal or field correction will be coordinated and made by iRobot, and all communications in connection with any recall, shall come solely from iRobot. If any such recall, withdrawal, field correction or seizure results from (i) failure of any Product to conform to the Specifications or any warranty or other requirement set forth in this Agreement, or (ii) the failure of Kin Yat to comply with any applicable law, rule, regulation, standard, court order or decree or (iii) the gross negligent or intentional wrongful act or omission of Kin Yat in connection with the production of Product hereunder, then, in addition to the rights, remedies and obligations under Section 5, Kin Yat shall be responsible for the full cost and expense of any such seizure, recall, withdrawal or field correction. For the purposes of this Agreement, the expenses of any recall, withdrawal, field correction or seizure shall include, without limitation, the out-of-pocket expenses of notification and destruction or return of the recalled Product and all other out-of-pocket costs incurred in connection with such recall, in addition to any lost profits of either Party under any circumstances or any administrative or overhead charge.

5 Warranty & Remedy.

5.1 Kin Yat Warranty. [***] warranty period.

5.1.1 Product Warranty. Kin Yat represents, warrants and covenants that: (i) it will perform the Manufacturing Services and manufacture the Product in accordance with IPC-A 610 Class 2 workmanship standard, the Product Specifications, applicable law, and the terms and conditions of this Agreement, (ii) the Products will be manufactured, processed and assembled by Kin Yat, and be free from defects in workmanship in accordance with the Product Specifications, (iii) the Products will conform, in all material respects, to the Product Specifications, be new or newly manufactured and include only new Components, and (iv) the Products will be free and clear of all Encumbrances. The foregoing warranty shall apply to any Product that is repaired or re-manufactured by or on behalf of Kin Yat under this Agreement. This Product warranty is extended to, and may only be enforced by, iRobot.

5.2 Components Warranty. Kin Yat will pass on to iRobot all warranties from Component suppliers to the extent that they are transferable. Kin Yat shall use Commercially Reasonable Efforts to ensure that all Assigned Components used in the Product are procured from suppliers on the AVL, unless otherwise agreed to by the Parties in writing.

5.3 Survival of Warranty. Product warranties will survive any inspection, delivery, acceptance or payment by iRobot and be in effect for the longer of (i) [***] from the date of invoice of the Product from Kin Yat to iRobot, (ii) for Products purchased by an end-user customer within [***] from the date such Product is initially delivered to iRobot or to iRobot's designated carrier, [***] of the warranty period from iRobot to such end-user customer for such Product, or (iii) such other term as agreed to by the Parties, following the date such Product is initially delivered to iRobot or to iRobot's designated carrier (such period, the "**Warranty Period**"). Should there be a breach of any of the warranties specified during the Warranty Period, Kin Yat will either (A) repair or replace the Product that contains a defect caused by a breach of the warranty set forth herein; or (B) issue a credit to iRobot in an amount equal to [***]. Product warranties will survive for the full term of the Warranty Period, regardless of whether such Product becomes obsolete or whether Kin Yat ceases to manufacture such Product or ceases to provide the Manufacturing Services.

5.4 Repair or Replacement of Defective Product. Kin Yat may elect, in its sole discretion, to repair or re-manufacture any Non-Conforming Products caused by a breach of the warranty set forth in this Section 5. Any such repair or re-manufacture shall be pursuant to Kin Yat's standard return material authorization process and procedure ("**RMA**"), pursuant to which iRobot will request an RMA number from Kin Yat for such Non-Conforming Product.

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iRobot shall then consign the Non-Conforming Products along with objective documentation of the applicable breach of warranty (“Defect”), FOB Kin Yat’s repair facility in the same country and region as the Non-Conforming Products (or such other location as agreed to by the Parties in writing), and specify the Kin Yat assigned RMA number. Kin Yat will repair or re-manufacture the Non-Conforming Products within [***] of receipt by Kin Yat of such Non-Conforming Products, and in the event the Defect is confirmed, Kin Yat will reimburse iRobot for the reasonable cost of transporting the Non-Conforming Products to Kin Yat’s designated facility and Kin Yat will deliver the repaired or re-manufactured Products, FCA iRobot’s designated destination. If no such Defect is confirmed, iRobot shall reimburse Kin Yat for all fees, costs and expenses incurred to analyze and, if requested by iRobot, repair or re-manufacture the non-defective Products and iRobot shall bear responsibility for all transportation costs to and from Kin Yat’s designated repair facility.

5.5 Class Failure. In the event that Kin Yat is notified (such notification being oral or otherwise) of a Class Failure, Kin Yat shall:

5.5.1 Within 24 hours of learning of such Class Failure, provide iRobot with a status report and details of a proposed interim solution; and

5.5.2 No later than [***] following notification of such Class Failure, provide iRobot with a root cause analysis and corrective action plan.

In each of the foregoing cases, iRobot will make available such information and assistance reasonably required to allow Kin Yat to conduct its root cause analysis and to provide its corrective action plan.

5.6 Component Failures. In the event that a Non-Conforming Product is the result of a Component, Kin Yat will pass on to iRobot all available warranty remedies pursuant to Section 5.2. In addition, Kin Yat will negotiate with the Component suppliers (save for the suppliers of Consigned Component not controlled by Kin Yat), at iRobot’s discretion and with iRobot present or on iRobot’s behalf, for additional remedies outside of the Component warranty pursuant to Section 5.2. Kin Yat shall not enter into any settlement with respect to Component failures that affects iRobot’s rights or interests without iRobot’s prior written approval, which shall not be unreasonably withheld. In the event that such negotiations do not resolve the matter to iRobot’s reasonable satisfaction, and the available warranty remedies under Section 5.2 do not cover the full cost of Component repair or replacement, Kin Yat will provide iRobot with prior written notice regarding any additional costs required to repair or re-manufacture the affected Products. In the event that cost details are not readily available and iRobot requires immediate repair or replacement of the affected Products, iRobot may elect to authorize Kin Yat to proceed with repair or re-manufacture of the affected Products on a not to exceed basis. iRobot will be liable for any additional costs actually incurred by Kin Yat to repair or re-manufacture the affected Products, provided that iRobot has given Kin Yat written approval before such costs were incurred.

5.7 Refunds due to Class Failure or Recall. In the event any Class Failure or Recall of a Product results from a breach of any of the warranties under this Agreement during the Warranty Period, then Kin Yat shall promptly refund to iRobot the full purchase price paid for all Products subject to such Class Failure or Recall, and all other reasonable costs to cure the Class Failure or Recall (example: shipping costs, partner penalties etc).

5.8 Third Party Repair and Re-Manufacture; Other Defects. Notwithstanding anything to the contrary in this Agreement, iRobot may itself, or through a third party, and at its own expense, repair or re-manufacture any Product (whether or not such Product is defective) without any obligation or liability to Kin Yat. If iRobot wishes Kin Yat to undertake repair or re-manufacture of Products that are Non-Conforming due to reasons other than a breach by Kin Yat of its warranty obligations hereunder, the Parties will mutually agree on an allocation of costs for the repair and/or re-manufacture process prior to Kin Yat performing such work.

5.9 Limitation of Warranty.

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5.9.1 THE REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 5 AND 16.3 ARE IN LIEU OF, AND EACH PARTY EXPRESSLY DISCLAIMS, AND EACH OTHER PARTY EXPRESSLY WAIVES, ALL OTHER WARRANTIES AND REPRESENTATIONS OF ANY KIND WHATSOEVER WHETHER EXPRESS, IMPLIED, STATUTORY, ARISING BY COURSE OF DEALING OR PERFORMANCE, CUSTOM, USAGE IN THE TRADE OR OTHERWISE, INCLUDING ANY WARRANTY OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR MISAPPROPRIATION OF ANY RIGHT, TITLE OR INTEREST OF ANY PARTY OR ANY THIRD PARTY. NO ORAL OR WRITTEN STATEMENT OR REPRESENTATION OUTSIDE OF THIS AGREEMENT BY EITHER PARTY, ITS AGENTS OR EMPLOYEES SHALL CONSTITUTE OR CREATE A WARRANTY OR EXPAND THE SCOPE OF ANY WARRANTY HEREUNDER.

5.9.2 KIN YAT'S WARRANTY SHALL NOT APPLY TO ANY PRODUCT THAT HAS BEEN SUBJECTED TO TESTING FOR OTHER THAN SPECIFIED ELECTRICAL CHARACTERISTICS OR TO OPERATING AND/OR ENVIRONMENTAL CONDITIONS IN EXCESS OF THE MAXIMUM VALUES ESTABLISHED IN IROBOT'S APPLICABLE SPECIFICATIONS, OR TO HAVE BEEN THE SUBJECT OF ANYONE OTHER THAN KIN YAT OR ITS AGENTS OR CONTRACTORS MISHANDLING, ACCIDENT, MISUSE, NEGLIGENCE, IMPROPER TESTING, IMPROPER OR UNAUTHORIZED REPAIR, ALTERATION, DAMAGE, ASSEMBLY, PROCESSING OR ANY OTHER INAPPROPRIATE OR UNAUTHORIZED ACTION OR INACTION THAT ALTERS PHYSICAL OR ELECTRICAL PROPERTIES. THIS WARRANTY SHALL NOT APPLY TO (a) ANY MATERIAL CONSIGNED OR SUPPLIED BY IROBOT TO KIN YAT INCLUDING BUT NOT LIMITED TO IROBOT INTELLECTUAL PROPERTY, IROBOT'S PROPRIETARY INFORMATION AND TECHNOLOGY AND IROBOT'S TOOLING, OR (b) ANY DEFECT IN THE PRODUCT ARISING FROM ANY DRAWING, DESIGN, SPECIFICATION, PROCESS, TESTING OR OTHER PROCEDURE, ADJUSTMENT OR MODIFICATION SUPPLIED AND APPROVED BY IROBOT.

5.10 ECO Upgrade. RMA's for any engineering changes or upgrades under any ECR or ECN upgrades will also be subject to the RMA process. Kin Yat will analyze each ECR and ECN and provide a per unit upgrade/change cost and expected completion and delivery date.

5.11 The Liability of Kin Yat to iRobot for any one act of default by reason of the breach of the warranty under this Agreement shall be limited to the extent that all or any damages (if proven) together shall in no event greater than [***] affected by such breach which has/have been received and accepted by Kin Yat and paid for by iRobot.

6 Limitation Of Liability; Specific Performance; Equitable Relief

6.1 EXCEPT WITH REGARD TO ANY LIABILITY THAT ARISES FROM A PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTION 19 OR A BREACH BY EITHER PARTY OF ITS CONFIDENTIALITY OBLIGATIONS SET FORTH IN SECTION 16, UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY OTHER PERSON OR ENTITY UNDER ANY CONTRACT, TORT, STRICT LIABILITY, NEGLIGENCE, OR OTHER LEGAL OR EQUITABLE CLAIM OR THEORY FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR INDIRECT DAMAGES, LOSS OF GOODWILL OR BUSINESS PROFITS, LOST REVENUE, WORK STOPPAGE, DATA LOSS, COMPUTER FAILURE OR MALFUNCTION, OR FOR ANY AND ALL OTHER EXEMPLARY OR PUNITIVE DAMAGES WHETHER SUCH PARTY WAS INFORMED OR WAS AWARE OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE. THE FOREGOING SHALL NOT EXCLUDE OR LIMIT EITHER PARTY'S LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM ITS NEGLIGENCE TO THE EXTENT THAT SUCH LIABILITY CANNOT BY LAW BE LIMITED OR EXCLUDED.

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6.2 Kin Yat acknowledges and agrees that a breach by it of its obligations to perform the Manufacturing Services, including the manufacture and/or supply Product under this Agreement, would cause irreparable harm to iRobot because the Manufacturing Services are unique in kind and quality and, moreover, suitable substitutes are unobtainable or unreasonably difficult or inconvenient for iRobot to procure and Kin Yat further acknowledges and agrees that iRobot could not be adequately compensated by money damages. Accordingly, in addition to any other remedies that may be available, in law, in equity or otherwise, in the case of any such actual or threatened breach, iRobot shall be entitled to obtain specific performance (including an order of a court requiring that Kin Yat manufacture and/or supply Product under this Agreement), without the necessity of posting a bond or proving actual damages. Finally, Kin Yat agrees that such equitable relief (including without limitation, specific performance), is a reasonable outcome of any actual or threatened breach contemplated by this Section 6.2, and Kin Yat hereby knowingly assumes the risk that a court or other tribunal may order specific performance. Kin Yat further acknowledges and agrees that any equitable relief ordered by a court or tribunal would not be a penalty.

6.3 iRobot retains all rights not expressly granted hereunder and any and all remedies herein expressly conferred upon iRobot will be deemed cumulative with, and not exclusive of, any other remedy conferred hereby, or by law or equity upon iRobot, and the exercise by iRobot of any one remedy will not preclude the exercise of any other remedy available under this Agreement or otherwise.

7 **Delivery, Risk of Loss and Payment Terms.** For purposes of this Agreement terms of sale for all Product shipments shall be FCA Port of Origin. (per Incoterms 2010). Risk of loss for Product shipments will pass to iRobot (or to iRobot's designee invoiced by Kin Yat) upon delivery to the Port of Origin and receipt by the freight partner responsible for delivering the goods to the appropriate destination. For any shipments where Kin Yat acts as an agent in completing the Shipper's Export Declaration and managing iRobot's exports on behalf of iRobot, where iRobot is the exporter of record (Principal Party in Interest - PPI), iRobot hereby grants Kin Yat a limited Power of Attorney to act on its behalf in managing its exports. Title for Product will pass to iRobot upon receipt of full payment for the purchase price by iRobot.

7.1 **Payment.** iRobot shall pay Kin Yat all monies when due, including all NRE Costs associated with this Agreement. Payment of all invoices shall be net [***] from date of iRobot's receipt of each such invoice. Payment to Kin Yat shall be in U.S. dollars and in immediately available funds. Any equipment, tooling, component, material or other goods or property, which is purchased by Kin Yat in order to perform its obligations under this Agreement, shall become the property of iRobot once Kin Yat is reimbursed for all NRE Costs, if any. Kin Yat shall be responsible for maintaining, segregating and CONSPICUOUSLY labeling the iRobot Property as "iRobot PROPERTY" and carrying out applicable repairs based on reasonable wear and use. Kin Yat shall invoice iRobot for actual outstanding NRE Costs and other monies due at [***] intervals (or such other intervals as deemed appropriate) during the term of this Agreement and upon cancellation, termination or expiration of this Agreement. Kin Yat agrees to request advance written approval from iRobot should resource requirements, and thereby NRE Costs, increase materially relative to estimated NRE Costs initially agreed by the Parties. Upon such request, Kin Yat shall provide to iRobot reasonably detailed supporting documentation and/or descriptions of the NRE Costs for which Kin Yat seeks reimbursement. iRobot is not obligated to accept any additional reimbursement request from Kin Yat. Unless otherwise agreed by iRobot, all prices are FCA, Port of Origin.

7.2 **Taxes.** iRobot shall be responsible for all federal, foreign, state and local sales, use, excise and other taxes (except taxes based on Kin Yat's income), all delivery, shipping, and transportation charges and all foreign agent or brokerage fees, document fees, custom charges and duties.

7.3 **Disputed Invoices.** If a Kin Yat invoice does not meet the invoicing requirements of this Agreement, or iRobot in good faith disputes any invoiced charges, iRobot will notify Kin Yat of the disputed items in writing on or before the payment due date and may withhold payment of the disputed charges pending resolution of the dispute.

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7.4 Reservation of Rights. Any payments made by iRobot under the Agreement, and any acceptance of Products, will be without prejudice to iRobot's right to subsequently claim or determine that it has overpaid Kin Yat or to require Kin Yat to remedy any deficiencies in KinYat's performance as provided in this Agreement.

8 Import and Export. iRobot shall be the importer of record for all Product shipments to iRobot facilities and shall be responsible for obtaining any required import licenses necessary for iRobot to import Product and/or receive shipments of Product from Kin Yat or its designated carrier, any U.S. Federal Communications Commission's identifier, if applicable and any other licenses required under US or foreign law applicable to iRobot's obligations under this Agreement. Kin Yat shall be responsible for obtaining any required export licenses necessary for Kin Yat to ship Product, including certificates of origin, manufacturer's affidavits, and U.S. Federal Communications Commission's identifier, if applicable and any other licenses required under US or foreign law applicable to Kin Yat's obligations under this Agreement. iRobot agrees that it shall not knowingly require Kin Yat to ship or deliver any Product, assembly, component or any technical data or software which violate any export controls or limitations imposed by the United States or any other governmental authority, or to any country for which an export license or other governmental approval is required at the time of export without first obtaining all necessary licenses and approvals and paying all duties and fees. Each Party shall be responsible for securing all applicable licenses, certifications, approvals and authorizations that are necessary for such Party to comply with applicable import and export laws, rules and regulations for the shipment and delivery of the Product under this Agreement. iRobot shall also be responsible for complying with any legislation or regulations governing the importation of the Product into the country of destination and for payment of any duties thereon.

9 Cost Management.

9.1 Cost Summary and Management. The cost summary included set forth on Schedule 2, prepared by Kin Yat, contains a detailed SKU-level (SKU as defined by iRobot) cost summary, Incoterm FCA Port of Origin, complete with all formulas and assumptions, to provide full access and visibility to all component, labor, assembly and mark-up costs. During each Renewal Term, the Parties shall meet from time to time on an executive level as required, but no less than on an [***], to identify cost reduction opportunities where each Party will share overall financial objectives of the on-going relationship between the Parties. Kin Yat shall at all times employ an Open Book Pricing approach to cost management and pricing of Components, Products and the Manufacturing Services to achieve Sustainable and Competitive Pricing for the Products and Manufacturing Services provided to iRobot under this Agreement. For purposes of this Agreement, the phrase "**Sustainable and Competitive Pricing**" means stable pricing over time for the Products and Manufacturing Services provided to iRobot under this Agreement that is favorable against that which could be reasonably attained from other contract manufacturers for comparable volumes of substantially similar products and comparable manufacturing services. For purposes of this Agreement, the term "**Open Book Pricing**" means providing detailed costing information to iRobot which includes; a fully-costed bill of materials, markups related to the sourcing and manufacturing of the Components and the Product and an explanation of all adders on material or value add (in place as of the Effective Date). In addition, Kin Yat shall provide detailed overviews of the relevant financial costing model to iRobot's representatives and professional advisors. By [***], Kin Yat shall provide final fixed price quotation for upcoming iRobot fiscal year.

9.2 Price. The Price for each Product is set forth in Schedule 2 (the "**Product Price**"), and includes the complete price for such Product, including the fully-costed bill of materials, Kin Yat's Gross Margin (as defined in Schedule 2), and any and all other added fees and costs related to the Manufacturing Services, Reasonable and Customary Support Services. The Product Price for each Product shall not be increased during the period beginning on the Effective Date and ending on [***], during such time Kin Yat shall manage its supply chain and absorb any and all increases. Pricing will be reviewed by the Parties on an [***] basis, on or before [***], and will be revised consistent with increases or decreases in materials, components, equipment and other costs and expenses applicable to the manufacture of the Product. By [***], Kin Yat shall provide final fixed price quotation for upcoming iRobot fiscal year.

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9.3 Source Transparency. Kin Yat will submit a full list of suppliers to iRobot for each Product at the time of any cost summary submittal, along with the supplier part number (in case of Generic Components). Kin Yat will submit every supplier or part number change to iRobot for iRobot's approval before such change goes into effect, including a summary or certification that such proposed changed part conforms to the Product Specifications.

9.4 Cost Transparency. COGS (Cost of Goods Sold) is a key factor in iRobot engaging Kin Yat to produce and deliver the Product. So that iRobot has full visibility to the current and ongoing status of Kin Yat's COGS, Kin Yat will provide updated costing in the agreed upon format within [***] of any change submittal. If Kin Yat fails to provide cost impact information within [***] after any iRobot Specification changes, iRobot will consider the lack of response to mean that there is no cost impact. Any cost change would be considered valid only after iRobot's approval. No less frequently than [***], Kin Yat will, upon iRobot's request, provide a microeconomic report that includes all critical prices and costs included in the Product Price (such as labor, exchange rate or select material as required by iRobot).

10 Tooling and fixtures. iRobot shall own any and all tooling, fixtures, molds, equipment, software and firmware made available to Kin Yat by iRobot, developed for or on behalf of iRobot, or otherwise paid for by iRobot ("**iRobot Tooling**"). Kin Yat may manufacture, have manufactured, and use the iRobot Tooling only to perform the Manufacturing Services under the Agreement and shall use and treat the iRobot Tooling with a high degree of care, and in any case no less than the same degree of care it would for its own equipment, tooling, molds or supplies. Kin Yat shall attach an identifying label showing iRobot's ownership in a conspicuous place on each unit of iRobot Tooling, if possible, and shall secure and segregate the iRobot Tooling in such fashion to clearly identify the iRobot Tooling as the property of iRobot. Kin Yat shall maintain the iRobot Tooling, at its own expense, in efficient working order and good repair based on reasonable wear and use, and otherwise in accordance with iRobot's reasonable instructions. Kin Yat shall keep all iRobot Tooling free of any Encumbrances, and shall not transfer any iRobot Tooling, or any rights in the iRobot Tooling to any Person. Kin Yat shall deliver all iRobot Tooling to iRobot or iRobot's designee, or at iRobot's request, make available for pickup, upon the termination or expiration of this Agreement, or upon iRobot's earlier request. Kin Yat shall execute documents and take such further action as iRobot shall reasonably request to protect iRobot's interest in the iRobot Tooling. Kin Yat will at the expense of iRobot deliver to iRobot any of the above mentioned tooling within [***] upon iRobot's written request. Kin Yat will adhere to the record keeping of iRobot Tools in accordance with iRobot requirements set forth in Section 4.10.3 or as otherwise described Schedule 1. Kin Yat shall make such records available for inspection by iRobot or iRobot's designee Kin Yat upon iRobot's reasonable request.

11 Forecast, Purchase Orders; Change Orders, Rescheduling and Cancellation

11.1 Forecast. iRobot will provide to Kin Yat, on a [***], a non-binding, rolling [***] planning forecasts at a core robot level and on a SKU based level, indicating iRobot's monthly Product requirements, as amended by iRobot from time to time (each, a "**Forecast**").

11.2 Purchase Orders. iRobot will issue orders for Products hereunder using its standard form of purchase order ("**Purchase Order**"). Each Purchase Order will identify the applicable Product by SKU, quantity, price denominated in US currency, delivery terms, and other customary terms. Except for the Product Price and delivery date contained in such Purchase Order, the terms and conditions in this Agreement shall prevail over any conflicting terms and conditions in any Purchase Order. Such Purchase Orders will be issued by iRobot at least [***] prior to the date of ex-factory for all Products on each such Purchase Order. For select SKUs and as defined in Schedule 1, iRobot and Kin Yat will develop strategies to achieve [***] lead time.

11.3 Purchase Order Acknowledgment. Kin Yat will notify iRobot electronically within [***] if it utilizes EDI, or if in writing, within [***] of receipt of a Purchase Order, and inform iRobot in writing of any reason Kin Yat is unable to meet a requested delivery date or any other Purchase Order requirements. The Purchase Order will not

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constitute a binding obligation on Kin Yat until and unless Kin Yat accepts the Purchase Order in accordance with this Agreement.

11.4 Changes to Forecast: At any time, prior to the issue of a Purchase Order, iRobot may reschedule and/or cancel any forecast demand.

11.5 Changes to Manufacturing Services, Packaging and Shipping Specifications and Test Procedures. iRobot may, in writing, request a change to the Manufacturing Services, Packaging and Shipping Specifications and Test Procedures at any time. Within [***] after receipt of iRobot's written request Kin Yat will analyze the requested change and provide iRobot with an assessment of the effect that the requested change will have on cost, manufacturing, scheduling, delivery and implementation. iRobot will be responsible for all costs associated with any accepted changes. Any such change shall be documented in a written change order and shall become effective only upon mutual written agreement of both Parties to the terms and conditions of such change order, including changes in time required for performance, cost and applicable delivery schedules.

11.6 Production Increases, Rescheduling Delivery. iRobot may, in writing, request increases in production volume or acceleration of open Purchase Order at any time. If Kin Yat is unable to satisfy or comply with iRobot's requested increase in production volume within the requested time frame for delivery, Kin Yat will provide the reasons preventing Kin Yat from satisfying the requested increase within [***] after receipt of iRobot's request. Any such change shall be documented in a written change order and shall become effective only upon mutual written agreement of both Parties to the terms and conditions of such change order, including changes in time required for performance, cost and applicable delivery schedules. Kin Yat shall utilize its global supply network to assess availability of shared material across accounts to minimize instances in which Kin Yat is unable to meet an increase in a Purchase Order quantity requested by iRobot. It is further understood that iRobot will not incur additional charges due to Kin Yat's decision to meet an accelerated delivery schedule or request for increased quantities by utilizing Generic Components from another account's material.

11.7 Product Configuration Changes and Engineering Changes. iRobot may request configuration or engineering changes to a Product in writing at any time. Kin Yat will analyze the request and determine if it can meet the requested changes within the required Lead-time. If Kin Yat can satisfy the requested change it will provide iRobot within [***] after receipt of the configuration or engineering request notice, a notice of acceptance of the requested changes. In the event that any requested change in the form, fit or function or Specification of any Product results in a significant increase in the cost of such Product, or in the length of time required for the manufacture or delivery thereof, then Kin Yat shall provide iRobot with a detailed cost analysis regarding such requested change using Open Book Pricing as contemplated under Section 9.1. Following iRobot's acknowledgment of such detailed cost analysis, the Parties will negotiate in good faith an equitable adjustment to the price of such Product and/or expected changes to the delivery schedule for such Product. If Kin Yat is unable to satisfy or comply with iRobot's requested changes within the requested time frame for delivery, Kin Yat will provide the reasons preventing Kin Yat from satisfying the requested increase within [***] after receipt of iRobot's request. Any such change shall be documented in writing and shall become effective only upon mutual written agreement of both Parties of the terms and conditions of such change, including changes in time required for performance, cost (including cost of materials on hand or on order in accordance with original Purchase Order) and applicable delivery schedules.

11.8 Treatment of Obsolete/End-of-Life Material. Upon receiving notice from iRobot of an engineering change or that any Product, component or assembly has become obsolete or has reached end-of-life, Kin Yat will, within a reasonable period after receiving such notice, provide iRobot with an analysis of iRobot's liability to Kin Yat for components and materials acquired or scheduled to be acquired to manufacture such Product. iRobot's liability shall include the price of finished Product and Kin Yat's costs (including cancellation fees and charges), plus applicable margin, of WIP, safety stock components and materials and components and materials on hand or on order within

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applicable Lead-times. Kin Yat will use Commercially Reasonable Efforts to assist iRobot in minimizing iRobot’s liability by taking the following steps:

- As soon as is commercially practical reduce or cancel Component and material orders to the extent contractually permitted.
- Return all Components and materials to the extent contractually permitted.
- Make all Commercially Reasonable Efforts to sell Components and materials to iRobot approved third parties.
- Assist iRobot to determine whether current WIP should be completed, scrapped or shipped to iRobot or its designee “as is”.

11.9 Rescheduled Delivery out, reduction of quantity, and Cancellation of Orders. iRobot may request Kin Yat to reschedule the delivery date for any Product, decrease quantity on open Purchase Order, and cancel pending Purchase Orders in accordance with this Section. The charges to iRobot for deferring delivery of a Purchase Order, reducing quantity or cancellation of a Purchase Order are outlined below:

<u>Days Prior to Delivery Date</u>	<u>Reschedule Terms</u>	<u>Cancellation Liability</u>
[***] Days	Kin Yat is not obligated to adhere to the request, but must consider each request in good faith.	iRobot may not cancel a Purchase Order to be delivered within [***] days of the applicable delivery date without payment to Kin Yat for the work incurred to date.
[***] Days from original delivery date	iRobot may reschedule out the delivery, reduce quantity or cancel the order.	Material on hand, non-cancelable and non-returnable materials, to the extent issued under a Material Authorization by iRobot, and applicable labor charges for WIP, provided, that such liability applies only to the extent that Kin Yat is unable to reallocate such material to any existing Purchase Order of iRobot, or, if authorized by iRobot, to a purchase order of another customer of Kin Yat.

Notwithstanding anything to the contrary in this Agreement, any reschedule out of a delivery date, reduction of quantity and/or cancellation of a Purchase Order (in whole or in part) will not affect any Product Price.

12 Logistics. Kin Yat will maintain control over all Products while in Kin Yat’s care, custody, and control. Kin Yats shall cooperate with iRobot and its suppliers and logistics services providers. Kin Yat will provide relevant and necessary information to iRobot relating to receipt, storing and shipment of Products. Kin Yat will coordinate with iRobot personnel, iRobot logistics services providers, and iRobot customers to execute the shipment of Products as instructed by iRobot.

12.1 Receiving. From time to time iRobot may ship Components, including batteries and Integrated Circuits (IC’s, processors) directly to Kin Yat. Kin Yat will verify actual quantities and SKU’s of such Components received as compared to the quantities and SKU’s indicated on the shipping documents, process the Components into their inventory system, and notify iRobot of the quantity actually received by SKU. Kin Yat will also indicate any exceptions, at the time of reporting the receipt, as related to over, short or damage. The reporting of receipts and exceptions is made to iRobot.

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12.2 Storage and maintenance of inventory. All Products and Components will be stored in a manner to maintain inventory control and to prevent damage as instructed by iRobot reasonably. Kin Yat will maintain inventories and locations of iRobot Products and Components on their own perpetual inventory and/or warehouse management system. Kin Yat and iRobot will compare on a monthly basis all inventories, reconcile results and Kin Yat will cycle count the Components with the five highest variances.

12.3 Physical inventory audit.

12.3.1 On a [***] basis Kin Yat will arrange a cut-off date for and complete a physical inventory audit of all Consigned Components. Because the [***] Components contain valuable intellectual property of iRobot, there is no shrinkage allowance for such Components. Variances will be identified and reported to Kin Yat by iRobot within [***] of the physical inventory. Within [***] of being notified of any such variance, Kin Yat shall provide iRobot a written report that, in iRobot's sole discretion, explains the variance, or iRobot will charge or deduct from its next payment for the unexplained variance. All other Consigned Components are subject to a shrinkage allowance of [***]% of the volume of such Component or Product received during the [***] period immediately prior to the physical inventory audit.

12.3.2 On a [***] basis Kin Yat will arrange a cut-off date for and complete a physical inventory audit of all finished Products that have passed the applicable quality inspections, but remain unshipped and in Kin Yat's possession at the end of such quarter. Kin Yat shall deliver such audit report to iRobot by the second business day immediately following the end of each iRobot Quarter End.

12.4 Shipping to iRobot locations. Most of the Products are designed to withstand a maximum of two pallet high floor storage. Components, including chips and batteries must be single stacked on the floor or stored in pallet racks. iRobot may direct Kin Yat to ship to specific iRobot locations and distributions centers such as, but not limited to, [***]. Incoterms for sale to iRobot are FCA Port (or airport) of Origin. iRobot will select the freight forwarder and communicate local contacts to Kin Yat. Based on selection of forwarder or ocean carrier, iRobot will specify the Port of Origin. iRobot will be responsible for paying the transportation costs from the origin port or airport to the destination, Kin Yat will arrange empty container delivery in accordance with the shipping schedule communicated to Kin Yat by iRobot. Upon receipt of container, Kin Yat will inspect the container for any signs of damages to flooring, any holes in the roof or side of the containers, and any sign of tampering with the latching device (tampering to include drilling out rivets and replacing the rivets with bolts). If the container has holes, damages or signs of tampering Kin Yat will request a replacement container. Products will be loaded on the container, floor stacked, in a manner to prevent damage and to fully utilize the container. Kin Yat shall adhere to any specific pallet configuration requested and provided by iRobot. If there is a requirement to ship on wooden pallets, then the pallets must meet the guidelines of ISPM15 and be appropriately marked, indicating the pallets meet the standards. iRobot will be responsible for the costs associated with purchasing these pallets. Containers must be sealed with a cargo seal that meets or exceeds ISO/PAS 17712:2006.

12.5 Direct shipment to iRobot Customers. From time to time, iRobot may direct Kin Yat to arrange for shipping directly to iRobot's customers in accordance with specific Incoterms identified by iRobot at that time. The container inspection requirements and pallet requirements under Section 12.4 shall apply to any shipments directly to iRobot's customers.

12.6 Inventory losses and gains. As Kin Yat is responsible for the care, custody and control of iRobot's products, risk will be balanced with responsibility in the following way. Physical inventories and cycle counts will be conducted as indicated above. During the first month after the first anniversary date of the contract and each subsequent anniversary date, the losses and gains of inventory, based on iRobot's perpetual inventory will be netted and a final loss or gain identified.

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13 **Duty to Mitigate Costs.** Both Parties shall, in good faith, undertake Commercially Reasonable Efforts to mitigate the costs of termination, expiration or cancellation. Kin Yat shall make Commercially Reasonable Efforts to cancel all applicable component and material purchase orders and reduce component inventory through return for credit programs or allocate such components and materials for alternate iRobot programs if applicable, or other customer orders provided the same can be used within [***] of the termination date.

14 **Term.** Unless earlier terminated as provided in Section 15 below, the term of this Agreement shall commence on the Effective Date and shall continue until the second anniversary of the Production Start Date (the “**Initial Term**”), and shall automatically renew for successive two-year terms (each, a “**Renewal Term**”) unless (a) following the first Renewal Term, Kin Yat provides written notice to iRobot of its intent not to renew this Agreement within twelve (12) months prior to the end of the then existing Renewal Term, or (b) iRobot provides written notice to Kin Yat of its intent not to renew this Agreement within [***] prior to the end of the then existing Term.

15 **Termination.** This Agreement may be terminated as follows:

15.1 **Termination for Cause.** Either Party may terminate this Agreement based on the material breach by the other Party of the terms of this Agreement, provided that the Party alleged to be in material breach receives written notice setting forth the nature of the breach at least [***] prior to the intended termination date. During such time the Party in material breach may cure the alleged breach and if such breach is cured within such [***] period, no termination will occur and this Agreement will continue in accordance with its terms. If such breach shall not have been cured, termination shall occur upon the termination date set forth in such notice.

15.2 **Termination for Bankruptcy/Insolvency.** Upon the happening of any of the following events with respect to a Party, except as otherwise prohibited by the United States bankruptcy laws, this Agreement may be terminated immediately:

15.2.1 The appointment of a receiver or custodian to take possession of any or all of the assets of a Party, or should a Party make an assignment for the benefit of creditors, or should there be an attachment, execution, or other judicial seizure of all or a substantial portion of a Party’s assets, and such attachment, execution or seizure is not discharged within [***].

15.2.2 A Party becomes a debtor, either voluntarily or involuntarily, under Title 11 of the United States Code or any other similar law and, in the case of an involuntary proceeding, such proceeding is not dismissed within [***] of the date of filing.

15.2.3 The dissolution or termination of the existence of a Party whether voluntarily, by operation of law or otherwise.

15.3 **Termination Consequences.**

15.3.1 If this Agreement is terminated for any reason, iRobot shall not be excused from performing its obligations under this Agreement with respect to payment for all monies due to Kin Yat hereunder including fees, costs and expenses incurred by Kin Yat up to and including the effective date of such termination in accordance with Section 15.3.3. The following Sections 3.8, 3.10.4, 4.5, 4.11.3, 4.13, 5, 6, 7, 8, 10, 13, 15.3, 15.4, 15.5, 16, 17.1, 17.2, 17.3, 17.4, 18, 19, 23, 25 and Schedule 4 shall survive the expiration, cancellation or termination of this Agreement.

15.3.2 All Purchase Orders issued prior to the effective date of the termination or expiration will be fulfilled pursuant to and subject to the terms of this Agreement, even if the delivery dates of Products under such Purchase Orders are after such effective date of expiration or termination.

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15.3.3 Within [***] of the effective date of the expiration or termination of this Agreement for any reason other than Kin Yat's material uncured breach, iRobot shall purchase at Kin Yat's cost any raw materials (including packaging materials) that Kin Yat has purchased exclusively for the production of Products for iRobot, WIP and finished Product that have not been shipped previously to iRobot. At its option iRobot may, in lieu of purchasing such raw materials at cost, place Purchase Orders with Kin Yat for additional Product under the terms of this Agreement in order to extinguish existing stocks of such raw materials. In the event that the Agreement terminates as a result of a material uncured breach by Kin Yat, iRobot shall be under no obligation to purchase any unused raw materials from Kin Yat. In the event that the Agreement terminates for any other reason, iRobot shall purchase from Kin Yat all Product inventory (including WIP and finished Product). Kin Yat shall accommodate last buy order from iRobot

15.3.4 Return of Product and Materials Supplied by iRobot. Upon the effective date of expiration or termination of this Agreement for any reason whatsoever, Kin Yat shall immediately deliver to iRobot or its designee all Product, Specifications, Components, packaging materials and other materials purchased by or on behalf of iRobot and all other materials or supplies provided by iRobot. Kin Yat shall also deliver to iRobot or its designee all Product produced hereunder, and shall invoice iRobot in accordance with the terms of Section 7.1.

15.4 Manufacturing Rights upon Termination. If Kin Yat ceases to manufacture and/or supply any Product due to any termination of this Agreement by iRobot pursuant to Sections 15.1 or 24, or if Kin Yat elects not to renew the Term pursuant to Section 14, then Kin Yat hereby grants to iRobot a non-exclusive, royalty-free, worldwide, transferable, perpetual irrevocable license to all of its Intellectual Property Rights under the Technical Manufacturing Information – KIN YAT to make, have made, sell, offer for sale, import, use, reproduce, modify, adapt, display, distribute, and make Products and other versions of the Products. iRobot may sublicense these rights to third parties, provided any such third party complies with the terms of this license and any associated obligations of confidentiality. Upon iRobot's exercise of its rights under this Section 15.4, Kin Yat shall promptly provide to iRobot all information, including manufacturing know-how and other materials required to enable iRobot to independently manufacture, test and repair the Products.

15.5 Transition Assistance. Upon expiration or earlier termination of this Agreement, Kin Yat will support iRobot in making an orderly transition to a successor third party manufacturer during a period lasting no longer than [***] (the "**Transition Period**") at the expense of iRobot. During such Transition Period, (a) Kin Yat shall provide, in a timely and professional manner, services reasonably necessary to transition the Manufacturing Services to a successor third party manufacturer; and (b) all of the terms and conditions of this Agreement shall continue to be in full force and effect, including Manufacturer's obligations to continue providing the Manufacturing Services. In addition, Kin Yat shall provide such technical assistance to iRobot or its designated third party manufacturer, as iRobot may reasonably request in connection with such transition. At the end of such Transition Period, or upon iRobot's earlier request, Kin Yat shall deliver to iRobot, or to iRobot's agent all tooling, fixtures, Components, Products (including WIP), tangible embodiments of iRobot's Proprietary Information and Technology and all documentation and materials related to the Products at the expense of iRobot.

16 Confidentiality.

16.1 Both parties acknowledge that, by reason of their relationship, they may have access to certain information and/or materials concerning the business, plans, products, services and clients (including, but not limited to, information and materials contained in technical data) and including information necessary for the Services ("Confidential Information"), which is confidential and of substantial value and which value would be impaired if such information were disclosed to third parties. The parties agree that the handling of confidential information shall be pursuant to the Non-Disclosure Agreement, which is incorporated herein by reference.

16.2 Kin Yat agrees that it will have any personnel of Kin Yat providing Services execute a written Non-Disclosure Agreement ("NDA") substantially similar in nature and scope to and no less protective of the Company than the Non-Disclosure Agreement.

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

16.3 Each Party represents and warrants to the other that it has adopted policies and procedures with respect to the receipt and disclosure of confidential or proprietary information, such as the Proprietary Information and Technology with its employees, agents and representatives. Each Party represents and warrants to the other Party that it will cause each of its employees, agents and representatives to maintain and protect the confidentiality of the other Party's Proprietary Information and Technology pursuant to the terms and conditions of the Non-Disclosure Agreement.

17 Intellectual Property Rights.

17.1 Intellectual Property – Existing by Kin Yat.

17.1.5 Except for the license rights granted to iRobot under this section 17.1.1, Kin Yat shall retain all right, title and ownership to any and all Intellectual Property – Existing by Kin Yat and all Intellectual Property Rights therein.

17.1.6 Kin Yat shall not incorporate any Intellectual Property – Existing by Kin Yat into any Products without iRobot's prior written approval. To the extent any Intellectual Property – Existing by Kin Yat is incorporated by or on behalf of Kin Yat within or used by or on behalf of Kin Yat in connection with any Product, Kin Yat hereby grants to iRobot a non-exclusive, royalty-free, fully paid up, worldwide, perpetual, license under all of its Intellectual Property Rights in or to the Intellectual Property – Existing by Kin Yat to make, have made, sell, offer for sale, import, use, reproduce, modify, adapt, display, distribute, and make other versions of, the Product and the right to sublicense third parties (including but not limited to manufactures, system integrators, value added resellers, distributors and other resellers) for iRobot to use, sell, test, improve, support and distribute the Products and to otherwise manufacture and support discontinued Products; provided however, that no license to the Technical Manufacturing Information – KIN YAT shall be granted under this Section 17.1.2.

17.2 Kin Yat Created Intellectual Property – Created by Kin Yat.

17.2.1 Except for the license rights granted to iRobot under 17.1.1, Kin Yat shall retain all right, title and ownership to any and all Intellectual Property – Created by Kin Yat and all Intellectual Property Rights therein.

17.2.2 Kin Yat hereby grants to iRobot a non-exclusive, royalty-free, fully paid up, worldwide, perpetual, irrevocable license under all of its Intellectual Property Rights in or to the Technical Manufacturing Information – KIN YAT developed under this Agreement that is unique to the Products for iRobot's internal use and the use by third party suppliers or manufacturers on behalf of iRobot to develop, design, improve, test and support the Products.

17.2.3 Any such unique Technical Manufacturing Information – KIN YAT will be used by Kin Yat solely for the design, development, testing and manufacturing of Products for iRobot.

17.3 iRobot Intellectual Property. iRobot shall retain all right, title and ownership to any and all iRobot Intellectual Property and all Intellectual Property Rights therein.

17.4 Newly Created Intellectual Property.

17.4.1 The Newly Created Intellectual Property constitutes "works made for hire" for iRobot, and iRobot will be considered the author and will be the owner of the Newly Created Intellectual Property and all Intellectual Property Rights therein or related thereto. If any Newly Created Intellectual Property does not qualify for treatment as "works made for hire", or if Kin Yat retains any interest in any Newly Created Intellectual Property for any other reason, Kin Yat hereby grants, assigns and transfers, and will grant, assign and transfer, to iRobot all ownership and interest in such Newly Developed Intellectual Property, including without limitation any and all Intellectual Property Rights in and to any Newly Created Intellectual Property or that claim or cover any Newly Created Intellectual Property. Kin Yat acknowledges that all personnel performing Manufacturing Services for iRobot under this Agreement have

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executed appropriate agreements with Kin Yat so that Kin Yat may fulfill Kin Yat's obligations under this Section 17. Kin Yat agrees to execute any documents of assignment or registration requested by iRobot relating to any and all Newly Created Intellectual Property. Kin Yat agrees to cooperate fully with iRobot, both during and after the engagement, with respect to the procurement, maintenance and enforcement of Intellectual Property Rights in or related to Newly Created Intellectual Property.

17.4.2 During the Term plus any period of support that may survive termination or expiration of this Agreement, Kin Yat agrees to inform iRobot of any Newly Created Intellectual Property.

17.5 Trademark Usage. Nothing in this Agreement gives either Party a right to use the other Party's Marks or implies the grant of any license from one Party to the other to use any Marks. Notwithstanding the foregoing, and subject to the terms and conditions of this Agreement, iRobot grants to Kin Yat a limited, non-exclusive, non-transferable, non-assignable, royalty-free license during the Term to reproduce any Mark set forth on Schedule 4, or otherwise designated in writing by iRobot ("**iRobot Marks**") solely for the purpose placing such Marks on Products sold to iRobot and any applicable packaging, and for no other business or non-business purposes whatsoever and no other goods or services whatsoever, in accordance with the following:

17.5.1 All reproductions of iRobot Marks must be approved in writing by iRobot and must be in accordance with iRobot's then current Trademark Usage Guidelines ("**Mark Guidelines**"), a copy of which is included in Schedule 4;

17.5.2 Kin Yat may not combine any iRobot Marks with, or create a composite mark using any iRobot Mark with, a trademark of Kin Yat or any third party, or use any of the iRobot Marks or any part thereof as part of its corporate name, or use any name or mark confusingly similar to any of the iRobot Marks;

17.5.3 No other rights or licenses, except that expressed in this Section 17.5 are granted to Kin Yat in and to any iRobot Mark, whether expressly, by implication, by estoppel, or otherwise;

17.5.4 As between iRobot and Kin Yat, the iRobot Marks are and shall remain the sole and exclusive property of iRobot and Kin Yat shall not acquire any right, title or interest in or to any iRobot Mark as a result of this Agreement (other than the limited license expressly granted in this Section 17.5) and all use of the iRobot Marks by Kin Yat and all goodwill generated thereby shall inure solely to the benefit of iRobot;

17.5.5 Kin Yat admits the validity of, and agrees not to challenge the iRobot Marks;

17.5.6 If any application for registration is or has been filed in any country by Kin Yat which relates to any name or mark which, in the sole opinion of iRobot, is confusingly similar, deceptive or misleading with respect to any of the iRobot Marks, Kin Yat shall immediately abandon any such application or registration or at iRobot's sole discretion, assign it to iRobot, and reimburse iRobot for all costs and expenses of any opposition, cancellation or related legal proceedings, including attorney's fees, instigated by iRobot or its authorized representative, in connection with any such registration or application; and

17.5.7 Upon any notice from iRobot that Kin Yat's use of the iRobot's Marks fails to conform with the Mark Guidelines, or any other provision of this Section 17.5, Kin Yat shall cease use of the iRobot Marks, until such failure has been corrected to the satisfaction of iRobot.

17.6 Kin Yat Marks. Kin Yat agrees and warrants that it will not use any Kin Yat or third party Mark (excluding authorized Marks of the iRobot) on any Product, packaging materials or documentation without iRobot's prior written authorization.

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17.7 Grant of License to iRobot Intellectual Property. In addition to Clause 17.5, iRobot hereby grants to Kin Yat a limited, non-exclusive, non-transferable, non-assignable, non-sublicensable and royalty-free right and license to use iRobot Intellectual Property, Proprietary Information and Technology and specifications solely for the purpose of performing its obligations under this Agreement, including manufacturing Products pursuant to this Agreement and supplying such Products only to iRobot. Such limited right and license shall extend to no other materials or for any other purpose and shall terminate automatically upon expiration or termination of the relevant Purchase Order or this Agreement for any reason.

18 Manufacturing Services for Competitive Products. In order to protect the iRobot's Proprietary Information and Technology, during the Term of this Agreement and for a period of [***] following the termination of this Agreement for any reason, Kin Yat will not, without the iRobot's express written consent, engage in any design, development, manufacturing, testing, configuring, assembling, packaging, shipping and/or selling of any product that is or is intended to be, directly or indirectly competitive with any of the Products, including, without limitation, any robotic floor care product.

19 Indemnification.

19.1 Kin Yat's Indemnity Obligations. Kin Yat shall indemnify, defend and hold iRobot and its employees, Subsidiaries, Affiliates, successors and assigns ("**iRobot Indemnified Parties**") harmless from and against any and all losses, liabilities, damages (including consequential, special and/or punitive damages), claims, expenses, suits, recoveries, judgments and fines (including reasonable attorneys' fees and expenses) (collectively "**Losses**") that may be incurred by any iRobot Indemnified Party arising out of (a) any damage to property or injury or death occurring to any person arising out of any failure by Kin Yat to provide Product in conformance with the Specifications; (b) any injury to person or property or death occurring to any Kin Yat employees, subcontractors, agents or any other individuals on Kin Yat's premises, except to the extent such injury to person or property or death was caused by the presence of iRobot's employees or agents on Kin Yat's premises; (c) any claim, action or proceeding brought by any governmental authority arising out of or resulting from the Manufacturing Services for Product that does not conform to the Specifications; (d) any breach by Kin Yat of any of its respective obligations, representations or warranties under this Agreement, including a breach which results in a recall of Product as contemplated under Section 4; (e) any other grossly negligent or willful act or omission on the part of Kin Yat; (f) the operation, ownership or control of the facilities of Kin Yat, its Affiliates or its subcontractors or the manufacturing, generation, processing, storage, transportation, distribution, treatment, disposal or other handling of the Products or materials used in the manufacture and packaging of the Products, or associated by-product, raw materials, intermediates, wastes, hazardous materials, emissions, releases, spills, leaks or discharges, or returned Products, Kin Yat, Affiliates of Kin Yat, or subcontractors of Kin Yat or its Affiliates, or their officers, directors, employees, agents or contractors; (g) any claim relating to the infringement of patent or other intellectual property rights relating to the manufacturing process employed by Kin Yat in performing the Manufacturing Services for Products or that Kin Yat asserts as owning in connection with the manufacturing of the Product or (h) violation of any applicable law, regulation, or rule in connection with the Manufacturing Services for Products hereunder, provided that the indemnity under this Section 19.1 shall not apply if any Loss is caused by (1) Kin Yat's use of materials, trademarks and symbols supplied by iRobot, Kin Yat's reliance upon the Specifications, iRobot Intellectual Property, iRobot's Proprietary Information and Technology and/or the Packaging and Shipping Specifications in accordance with the terms of this Agreement, or (2) defects in design or product liability caused by iRobot or its agents, or (3) the gross negligence or willful misconduct of iRobot.

19.2 iRobot's Indemnity Obligations. Except to the extent subject to Kin Yat's indemnification of iRobot as provided in Section 19.1, iRobot shall indemnify, defend and hold Kin Yat and its employees, Subsidiaries, Affiliates, successors and assigns ("**Kin Yat Indemnified Parties**") harmless from and against any and all Losses, arising from any third party claims asserted against any Kin Yat Indemnified Party, to the extent based on any of the following: (a) making, using or selling the Product, proper and authorized use of the Specifications, iRobot Intellectual Property, Packaging and Shipping Specifications, Proprietary Information and Technology of iRobot, any Product, or any

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information, technology and processes supplied and/or approved by iRobot or otherwise required by iRobot of Kin Yat, in connection with Kin Yat's performance of its obligations under this Agreement; (b) any recall or actual noncompliance with Materials Declaration Requirements; (c) that Kin Yat's use of any item in subsection (a) in connection with performing its obligations under this Agreement infringes any patent, copyright or other intellectual property right of a third party, (d) performance of the Manufacturing Services in accordance with the Product Specifications, and (e) any other grossly negligent or willful act or omission on the part of iRobot.

19.3 **Indemnification Procedures.** Any Person that may be entitled to indemnification under this Agreement shall give the other Party prompt notice of any claim and cooperate with the indemnifying Party at its expense. The Indemnifying party shall have the right to assume the defense (at its own expense) of any such claim through counsel of its own choosing by so notifying the Party seeking indemnification within [***] of the first receipt of such notice. The Party seeking indemnification shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying party. The Indemnifying party shall not, without the prior written consent of the indemnified party, agree to the settlement, compromise or discharge claim.

20 Relationship of Parties. Kin Yat shall perform its obligations hereunder as an independent contractor. Nothing contained herein shall be construed to imply a partnership or joint venture relationship between the Parties. The Parties shall not be entitled to create any obligations on behalf of the other Party, except as expressly contemplated by this Agreement. The Parties will not enter into any contracts with third parties in the name of the other Party without the prior written consent of the other Party.

21 Insurance. During the Term and at all times that Kin Yat performs work for iRobot, Kin Yat will maintain in full force and effect, at Kin Yat's own expense, for the benefit of both Kin Yat and iRobot, insurance coverage to include:

21.1 Kin Yat shall maintain for the term of this Agreement, at its own expense: a comprehensive or commercial general liability policy including contractual liability products/completed operation and broad form property damage coverage, affording protection on an occurrence basis for claims arising out of bodily injury, death, and property damage, and having limits of not less than; a combined single limit of \$[***] per occurrence with a \$[***] aggregate limit of liability and (ii) Worker's Compensation insurance as required by the laws of the state, province, country or similar authority(ies) where the services will be performed (iii) Commercial Automobile Liability Insurance - bodily injury and property damage combined single limit of RMB[***]. Such comprehensive or commercial general liability policy insurance shall name iRobot as an additional insured and may not be canceled or changed without at least [***] prior written notice to iRobot. Prior to the commencement of Services, Kin Yat shall provide a certificate of insurance to iRobot evidencing these requirements and shall provide updated certificates as applicable. Kin Yat shall also be liable to maintain, at its sole expense, travel insurance coverage and any legally mandated health insurance.

21.2 **Additional Requirements.** All deductibles on policies providing coverage will be paid by Kin Yat. In the event Kin Yat is self-insured for matters described above, Kin Yat agrees to respond to any claims or losses made against or incurred by iRobot in the same fashion as if insurance had been purchased. In no event will the coverage or limits of any insurance required under this Section 21, or the lack or unavailability of any other insurance, be deemed to limit or diminish either Party's obligations or liability to the other Party under this Agreement, including but not limited to, each Party's indemnification obligations as set forth in Section 19. Kin Yat will obtain the necessary insurance within [***] of the Effective Date.

22 Business Continuity Plan.

22.1 **Risk Management and Continuity Plans.** Kin Yat will develop and keep current a formal business continuity plan detailing Kin Yat's plans, procedures and designated resources for timely response to and recovery from potential civil, natural, and physical plant disasters that could reasonably be expected to disrupt production and delivery to iRobot ("**Business Continuity Plan**"). Upon request, Kin Yat will make such plan available to iRobot or its designated representative for review.

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22.2 **Notification.** Kin Yat agrees to notify iRobot as soon as possible in the event of a crisis that disrupts manufacturing or delivery of Products. Unless authorized in advance in writing by iRobot, Kin Yat will not refer to iRobot in public and media communications about the crisis and subsequent recovery.

22.3 **Loss Control.** Kin Yat will be responsible for maintaining its facilities and operations in accordance with applicable fire protection and loss control laws, regulations and industry standards.

23 **Publicity.** Without the written consent of the other Party, neither Party shall refer to this Agreement in any publicity or advertising or disclose to any third party any of the terms of this Agreement. Notwithstanding the foregoing, neither Party will be prevented from, at any time, furnishing any information to any governmental or regulatory authority, including the United States Securities and Exchange Commission or any other foreign stock exchange regulatory authority, that it is by law, regulation, rule or other legal process obligated to disclose, so long as the other Party is given advance written notice of such disclosure pursuant to Section 2.4 of the Non-Disclosure Agreement. In addition, a Party may disclose the existence of this Agreement and its terms to its attorneys and accountants, suppliers, customers and others only to the extent necessary to perform its obligations and enforce its rights hereunder, and to existing and prospective investors and/or acquirers that are contemplating a potential investment in or acquisition of such Party, provided, however, that any and all such suppliers, customers, investors, acquirers and advisers are bound by agreements or, in the case of professional advisers, ethical duties, to treat, hold and maintain such information in accordance with the terms and conditions of the Non-Disclosure Agreement.

24 **Force Majeure.**

24.1 Subject to Section 24.2.2 below, neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement to the extent such failure or delay is due to causes beyond such party's reasonable control, including but not limited to, acts of God, acts of civil or military authority, legal restrictions, fires, explosion, embargo, mobilization, riot, epidemics, and to the extent the following are on a national basis, strikes, industrial disturbances, shortage of material, electricity, oil or transport, or restriction in the use of power. Events set forth above are referred to individually and collectively as "**Force Majeure Events.**" The Parties expressly acknowledge that Force Majeure Events do not include vandalism, or the non-performance of third parties or subcontractors relied on for the delivery of the Manufacturing Services, unless such failure or non-performance by a third party or subcontractor is itself caused by a Force Majeure Event, as defined above. Upon the occurrence of a Force Majeure Event, the non-performing Party shall be excused from any further performance or observance of the affected obligation(s) for as long as such circumstances prevail, and such Party continues to attempt to recommence performance or observance to the greatest extent possible without delay.

24.2 Notwithstanding any other provision of this Section 24, a Force Majeure Event shall obligate and require Kin Yat to commence and successfully implement all of the Manufacturing Services relating to disaster recovery set forth in its Business Continuity Plan within the time period described therein. If a Force Majeure Event causes a material failure or delay in the performance of any Manufacturing Services for more than [***] consecutive days, iRobot may, at its option, and in addition to any other rights iRobot may have, procure such Manufacturing Services from an alternate source until Kin Yat is again able to provide such Manufacturing Services. iRobot shall continue to pay Kin Yat the charges due and payable hereunder during such period, but Kin Yat shall not be entitled to any additional payments as a result of the Force Majeure Event. If a Force Majeure Event causes a material failure or delay in the performance of any Manufacturing Services under this Agreement for more than [***] consecutive days, iRobot may, at its option, and in addition to any other rights iRobot may have, immediately terminate this Agreement without liability to Kin Yat.

25 **Miscellaneous.**

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25.1 Notices. All notices, demands and other communications made hereunder shall be in writing and shall be given either by personal delivery, by nationally recognized overnight courier (with charges prepaid), by facsimile or EDI (with telephone confirmation) addressed to the respective Parties at the following addresses:

Notice to Kin Yat: Kin Yat Industrial Company Limited
7th Floor Galaxy Factory Building
25-27 Luk Hop Street
San Po Kong, Kowloon
Hong Kong
Facsimile: (852) 2351 1867
Attn: Mr. Vincent Fung

with a copy to: Kin Yat Holdings Limited
25-27 Luk Hop Street
San Po Kong, Kowloon
Hong Kong
Facsimile: (852) 2351 1867
Attn: General Counsel

Notice to iRobot: iRobot Corporation
8 Crosby Drive
Bedford, MA 01730
Facsimile: (781) 430-3001
Attn: General Counsel

25.2 Expenses and Costs. Each Party shall pay their own expenses in connection with the negotiation of this Agreement. All fees and expenses incurred in connection with the resolution of Disputes shall be allocated as further provided in Section 25.15 below.

25.3 Amendment. No course of dealing between the Parties hereto shall be effective to amend, modify, or change any provision of this Agreement. This Agreement may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Party against whom such change is to be enforced. The Parties may, subject to the provisions of this Section 25.3, from time to time, enter into supplemental written agreements for the purpose of adding any provisions to this Agreement or changing in any manner the rights and obligations of the Parties under this Agreement or any Schedule hereto. Any such supplemental written agreement executed by the Parties shall be binding upon the Parties.

25.4 Partial Invalidity. Whenever possible, each provision of this Agreement shall be interpreted in such a way as to be effective and valid under applicable law. If a provision is prohibited by or invalid under applicable law, it shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

25.5 Monies. All references to monies in this Agreement shall be deemed to mean lawful monies of the United States of America.

25.6 Entire Agreement. This Agreement, the Schedules and any addenda attached hereto or referenced herein, constitute the complete and exclusive statement of the agreement of the Parties with respect to the subject matter of this Agreement, and replace and supersede all prior agreements and negotiations by and between the Parties. Each Party acknowledges and agrees that no agreements,

representations, warranties or collateral promises or inducements have been made by any Party to this Agreement except as expressly set forth herein or in the Schedules and any addenda

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attached hereto or referenced herein, and that it has not relied upon any other agreement or document, or any verbal statement or act in executing this Agreement. These acknowledgments and agreements are contractual and not mere recitals. In the event of any inconsistency between the provisions of this Agreement and any Schedule and any addenda attached hereto or referenced herein, the provisions of this Agreement shall prevail unless expressly stipulated otherwise, in writing executed by the Parties. Pre-printed language on each Party's forms, including purchase orders, that conflict with the terms and conditions of this Agreement, are shall not constitute part of this Agreement and shall be deemed unenforceable.

25.7 Binding Effect. This Agreement shall be binding on the Parties and their successors and assigns; provided, however, that Kin Yat shall not assign, delegate or transfer, in whole or in part, this Agreement or any of its rights or obligations arising hereunder, without the prior written consent of iRobot. Any purported assignment without such consent shall be null and void.

25.8 Anti-Corruption Laws. Kin Yat represents that it has a copy of, and is familiar with, the United States Foreign Corrupt Practices Act, 15 U.S.C. §78dd-2 (the "FCPA"), and the purposes of the FCPA, including the FCPA's prohibition of the payment or the gift of any item of value, either directly or indirectly, by or on behalf of a company organized under the laws of the United States of America or any of its states to an official, employee, or officer of, or person acting in an official capacity for, a government or international organization for the purpose of influencing any action or decision, or inducing him to use his influence with the government or organization in a manner contrary to his position or creating an improper advantage to assist a company in obtaining or retaining business for, with, or in that country or organization or directing business to any person. Kin Yat represents and warrants that it will take no action that would constitute a violation of the FCPA or any law. Moreover, Kin Yat represents and warrants that no government official is a principal, owner, officer, employee or agent of any entity in which Kin Yat has an interest, and no government official has any material financial interest in the business of Kin Yat. Further, Kin Yat represents and warrants that Kin Yat and its Affiliates do and shall comply with all applicable legal requirements and iRobot's policies against corrupt business practices, against money laundering and against facilitating or supporting persons who conspire to commit crimes or acts of terror against any person or government. Kin Yat agrees that it will notify iRobot in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

25.9 Child/Forced Prison Labor Laws. Kin Yat, by signing this agreement, represents and warrants that it and its subcontractors/suppliers will comply with all applicable local government regulations regarding minimum wage, living conditions, overtime, working conditions, child labor laws and the applicable labor and environmental laws. Kin Yat further represents and warrants that it and its subcontractors/suppliers do not use any form of forced prison labor and/or child labor under the age of 15 or the minimum age required by local government, whichever is older.

25.10 Waiver. Waiver by either Party of any breach of any provision of this Agreement shall not be considered as or constitute a continuing waiver or a waiver of any other breach of the same or any other provision of this Agreement.

25.11 Captions. The captions contained in this Agreement are inserted only as a matter of convenience or reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any of its provisions.

25.12 Construction. Since both Parties have engaged in the drafting of this Agreement, no presumption of construction against any Party shall apply.

25.13 Section References. All references to Sections or Schedules shall be deemed to be references to Sections of this Agreement and Schedules attached to this Agreement, except to the extent that any such reference specifically refers to another document. All references to Sections shall be deemed to also refer to all subsections of such Sections, if any.

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

25.14 Business Day. If any time period set forth in this Agreement expires upon a Saturday, Sunday or U.S. national, legal or bank holiday, such period shall be extended to and through the next succeeding business day.

25.15 Dispute Resolution.

25.15.1 Kin Yat and iRobot mutually agree to the settlement by arbitration of all claims or controversies each party may have against the other relating in any manner whatsoever to this Agreement or its terms. Except for the right to obtain provisional remedies or interim relief, which right is preserved without any waiver of the right to arbitration, arbitration under this Agreement shall be the exclusive remedy for all such arbitrable claims. Kin Yat and iRobot also agree that arbitration shall be held in Boston, Massachusetts if such arbitration is sought by Kin Yat and in Hong Kong if such arbitration is sought by iRobot, and shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”), and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitrator(s) shall have the authority to award or grant both legal, equitable and declaratory relief. Such arbitration shall be final and binding on the parties.

25.15.2 Kin Yat and iRobot agree that in the event that any action, either civil or arbitral is brought to enforce this Agreement by either Kin Yat or iRobot, the prevailing party shall be entitled to an award of all reasonable attorneys’ fees and legal costs, in addition to other relief.

25.15.3 The Parties agree that the existence, conduct and content of any negotiation or arbitration pursuant to this Section 25.15 shall be kept confidential and no Party shall disclose to any Person any information about such negotiation or arbitration, except as set forth in Section 16 or 23.

25.15.4 IN THE EVENT OF ANY DISPUTE BETWEEN THE PARTIES, WHETHER IT RESULTS IN PROCEEDINGS IN ANY COURT IN ANY JURISDICTION OR IN ARBITRATION, THE PARTIES HEREBY KNOWINGLY AND VOLUNTARILY, AND HAVING HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL, WAIVE ALL RIGHTS TO TRIAL BY JURY, AND AGREE THAT ANY AND ALL MATTERS SHALL BE DECIDED BY A JUDGE OR ARBITRATOR WITHOUT A JURY TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW.

25.15.5 Notwithstanding anything contained in this Section 25.15 to the contrary, in the event that either Party is seeking temporary or preliminary injunctive relief, including any action for equitable relief, such Party may proceed in the Massachusetts Courts without prior negotiation or arbitration for the limited purpose of avoiding immediate and irreparable harm.

25.16 Insider Trading. Kin Yat will not, and will cause its Affiliates and Subsidiaries to not, transact in any securities of iRobot based on the manufacture of any Product under this Agreement or any Proprietary Information and Technology of the iRobot or from communicating any such information to any other Person in connection with the trading of such securities.

25.17 Other Documents. The Parties shall take all such actions and execute all such documents that may be necessary to carry out the purposes of this Agreement, whether or not specifically provided for in this Agreement.

25.18 Counterparts. This Agreement may be executed by facsimile and delivered in one or more counterparts, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to be one agreement.

25.19 Even-Handed Construction. The terms and conditions as set forth in this Agreement have been arrived at by sophisticated parties with equal bargaining power, each having an opportunity to consult with counsel, after mutual negotiation, and it is

the intention of the Parties that its terms and conditions not be construed against any Party merely because it was prepared by one of the Parties.

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25.20 Governing Law and Jurisdiction. All disputes, claims or controversies arising out of this Agreement, or the interpretation, negotiation, validity or performance of this Agreement, or the transactions contemplated hereby shall be governed by the laws of the State of New York, without application of conflicts of law principles. The provisions of the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

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Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

IROBOT CORPORATION

KIN YAT INDUSTRIAL COMPANY LIMITED

By: /s/ Alison Dean
Signature

By: /s/ Vincent Fung
Signature

Name: Alison Dean
(Print)

Name: Vincent Fung
(Print)

Title: CFO

Title: Director

Date: 1/22/14 *
* agreed to be effective as of 9/23/13

Date: Feb.10.2014

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

SCHEDULE 1
TO MANUFACTURING SERVICES AGREEMENT
BETWEEN Kin Yat AND iRobot

STATEMENT OF WORK

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SCHEDULE 2
TO MANUFACTURING SERVICES AGREEMENT
BETWEEN Kin Yat AND iRobot

FEE AND PRICE (FINAL QUOTE)

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

**SCHEDULE 3
TO MANUFACTURING SERVICES AGREEMENT
BETWEEN Kin Yat AND iRobot**

QUALITY AND TEST PROCEDURES

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

SCHEDULE 4
TO MANUFACTURING SERVICES AGREEMENT
BETWEEN Kin Yat AND iRobot

NON-DISCLOSURE AGREEMENT

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

**SCHEDULE 5
TO MANUFACTURING SERVICES AGREEMENT
BETWEEN Kin Yat AND iRobot**

TRADEMARK USAGE GUIDELINES

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

**SCHEDULE 6
TO MANUFACTURING SERVICES AGREEMENT
BETWEEN Kin Yat AND IROBOT**

IROBOT QUARTER END

Portions of this Exhibit were omitted and have been filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Exchange Act - [***] denotes omissions.

Certifications

I, Colin M. Angle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iRobot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2014

/s/ COLIN M. ANGLE

Colin M. Angle
Chairman of the Board and Chief Executive Officer

Certifications

I, Alison Dean, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iRobot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2014

/s/ ALISON DEAN

Alison Dean
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of iRobot Corporation (the “Company”) for the period ended March 29, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Colin M. Angle, the Chief Executive Officer of the Company and Alison Dean, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. 1350 and is not to be deemed a part of the Report, nor is it to be deemed to be “filed” for any purpose whatsoever.

Date: May 2, 2014

/s/ COLIN M. ANGLE

Colin M. Angle
Chairman of the Board and Chief Executive Officer

Date: May 2, 2014

/s/ ALISON DEAN

Alison Dean
Chief Financial Officer

**3
Months
Ended**

**Goodwill, Other Intangible
Assets and Other Assets -
Other Assets (Details) (USD
\$)
In Thousands, unless
otherwise specified**

	Mar. 29, 2014	Dec. 28, 2013	Mar. 29, 2014 Preferred Stock [Member] Advanced Scientific Concepts, Inc. [Member]	Dec. 28, 2013 Preferred Stock [Member] Advanced Scientific Concepts, Inc. [Member]	Mar. 29, 2014 Preferred Stock [Member] InTouch Technologies, Inc. [Member]	Dec. 28, 2013 Preferred Stock [Member] InTouch Technologies, Inc. [Member]

**Schedule of Cost-method
Investments [Line Items]
Document Period End Date**

Mar.
29,
2014

Cost Method Investments

\$ 10,501 \$ 10,501 \$ 2,500 \$ 2,500 \$ 8,001 \$ 8,001

**Commitments and
Contingencies - Activity
Related to Warranty Accrual
(Detail) (USD \$)
In Thousands, unless
otherwise specified**

3 Months Ended

Mar. 29, 2014 Mar. 30, 2013

Commitments and Contingencies Disclosure [Abstract]

Document Period End Date

Mar. 29, 2014

Movement in Standard Product Warranty Accrual [Roll Forward]

<u>Balance at beginning of period</u>	\$ 6,497	\$ 6,057	
<u>Provision</u>	1,133	404	
<u>Warranty usage</u>	(1,272)	[1](440)	[1]
<u>Balance at end of period</u>	\$ 6,358	\$ 6,021	

[1] Warranty usage includes costs incurred for warranty obligations.

**Summary of Significant
Accounting Policies - Income
Taxes (Details) (USD \$)**

**3 Months Ended
Mar. 29, Mar. 30,
2014 2013**

[Income Tax Disclosure \[Abstract\]](#)

[Tax provision](#)

\$ 2,513,000 \$ 513,000

[Effective income tax rate](#)

32.20% 5.80%

[Significant Change in Unrecognized Tax Benefits is Reasonably Possible, Amount of Unrecorded Benefit](#)

\$ 700,000

**Goodwill, Other Intangible
Assets and Other Assets -
Other Intangible Assets
(Detail) (USD \$)**

3 Months Ended

Mar. 29, 2014 Mar. 30, 2013 Dec. 28, 2013

Finite-Lived Intangible Assets [Line Items]

<u>Document Period End Date</u>	Mar. 29, 2014	
<u>Finite-Lived Intangible Assets, Gross</u>	\$ 31,500,000	\$ 31,500,000
<u>Intangible assets accumulated amortization</u>	7,948,000	7,044,000
<u>Finite-lived intangible assets, accumulated impairment loss</u>	1,788,000	1,788,000
<u>Intangible Assets, Net</u>	21,764,000	22,668,000
<u>Amortization of Acquired Intangible Assets</u>	900,000	1,000,000

Completed technology

Finite-Lived Intangible Assets [Line Items]

<u>Finite-Lived Intangible Assets, Gross</u>	30,600,000	30,600,000
<u>Intangible assets accumulated amortization</u>	7,098,000	6,202,000
<u>Finite-lived intangible assets, accumulated impairment loss</u>	1,788,000	1,788,000
<u>Intangible Assets, Net</u>	21,714,000	22,610,000

Research contracts

Finite-Lived Intangible Assets [Line Items]

<u>Finite-Lived Intangible Assets, Gross</u>	100,000	100,000
<u>Intangible assets accumulated amortization</u>	100,000	100,000
<u>Finite-lived intangible assets, accumulated impairment loss</u>	0	0
<u>Intangible Assets, Net</u>	0	0

Trade Names

Finite-Lived Intangible Assets [Line Items]

<u>Finite-Lived Intangible Assets, Gross</u>	800,000	800,000
<u>Intangible assets accumulated amortization</u>	750,000	742,000
<u>Finite-lived intangible assets, accumulated impairment loss</u>	0	0
<u>Intangible Assets, Net</u>	\$ 50,000	\$ 58,000

Inventory

**3 Months Ended
Mar. 29, 2014**

[Inventory Disclosure \[Abstract\]](#)

[Inventory](#)

3. Inventory

Inventory consists of the following:

	<u>March 29, 2014</u>	<u>December 28, 2013</u>
	(In thousands)	
Raw materials	\$ 8,692	\$ 8,520
Work in process	—	—
Finished goods	32,698	37,587
	<u>\$41,390</u>	<u>\$ 46,107</u>

Stock Option Plans - Additional Information (Detail) (USD \$)	0 Months Ended Oct. 10, 2005	3 Months Ended Mar. 29, 2014	Mar. 07, 2014
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Effective date for stock options plan</u>	Oct. 10, 2005		
<u>Increase in number of shares reserved and available for issuance in different forms</u>		4.50%	
<u>Document Period End Date</u>		Mar. 29, 2014	
<u>Share Price</u>			\$ 43.35
Stock Options			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Minimum period for expiration of options in case of employee termination</u>		60 days	
<u>Maximum period for expiration of options in case of employee termination</u>		90 days	
Stock Options Minimum			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Vesting period for options</u>		0 years	
<u>Minimum expiration period for options</u>		7 years	
Stock Options Maximum			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Vesting period for options</u>		5 years	
<u>Minimum expiration period for options</u>		10 years	
Common stock Executive Officer [Member]			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Common stock granted</u>		33,938	
Time-based Restricted Stock Unit [Member] Executive Officer [Member]			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Restricted stock units granted</u>		59,433	
Performance-based Restricted Stock Unit [Member] Executive Officer [Member]			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Restricted stock units granted</u>		29,717	
2005 Plan			

Share-based Compensation Arrangement by Share-based Payment Award [Line Items]

<u>Shares reserved for issuance in different forms</u>	1,583,682	
<u>Share based compensation arrangement shares available for grant</u>		5,031,694

Inventory (Details) (USD \$)**In Thousands, unless
otherwise specified****Mar. 29, 2014 Dec. 28, 2013****Inventory Disclosure [Abstract]**

<u>Inventory, Raw Materials, Net of Reserves</u>	\$ 8,692	\$ 8,520
<u>Inventory, Work in Process, Net of Reserves</u>	0	0
<u>Inventory, Finished Goods, Net of Reserves</u>	32,698	37,587
<u>Inventory</u>	\$ 41,390	\$ 46,107

**Accrued Expenses (Details)
(USD \$)**

3 Months Ended

**In Thousands, unless
otherwise specified**

Mar. 29, 2014 Dec. 28, 2013

Accrued Liabilities, Current [Abstract]

Document Period End Date Mar. 29, 2014

Accounts Payable, Current [Abstract]

<u>Accrued warranty</u>	\$ 6,358	\$ 6,497
<u>Accrued Sales Tax</u>	759	831
<u>Accrued rent</u>	720	726
<u>Accrued direct fulfillment costs</u>	670	1,362
<u>Accrued sales commissions</u>	247	539
<u>Accrued accounting fees</u>	323	181
<u>Accrued contractors, current</u>	298	509
<u>Accrued other</u>	4,188	4,235
<u>Accrued expenses</u>	13,563	14,880
<u>Employee-related Liabilities, Current</u>	\$ 7,744	\$ 19,606

**Commitments and
Contingencies - Additional
Information (Detail) (USD \$) Mar. 29, 2014
In Millions, unless otherwise
specified**

[Outstanding POs \[Abstract\]](#)

[Contractual Obligation](#) \$ 106

Summary of Significant Accounting Policies

**3 Months Ended
Mar. 29, 2014**

[Accounting Policies](#)

[\[Abstract\]](#)

[Summary of Significant Accounting Policies](#)

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany accounts and transactions. In addition, certain prior year amounts have been reclassified to conform with the current year presentation. iRobot has prepared the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

The accompanying unaudited financial data as of March 29, 2014 and for the three months ended March 29, 2014 and March 30, 2013 has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 28, 2013, filed with the SEC on February 18, 2014.

In the opinion of management, all adjustments necessary to state fairly its statement of financial position as of March 29, 2014 and results of operations and cash flows for the periods ended March 29, 2014 and March 30, 2013 have been made. The results of operations and cash flows for any interim period are not necessarily indicative of the operating results and cash flows for the full fiscal year or any future periods.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, sales returns, bad debts, warranty claims, inventory reserves, valuation of investments, valuation of goodwill and intangible assets, assumptions used in valuing stock-based compensation instruments and income taxes. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from the Company's estimates.

Fiscal Year-End

The Company operates and reports using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, the Company's fiscal quarters end on the Saturday that falls closest to the last day of the third month of each quarter.

Revenue Recognition

The Company derives its revenue from product sales and, to a lesser extent, government and commercial research and development contracts. The Company sells products directly to customers and indirectly through resellers and distributors. The Company recognizes revenue from sales of robots under the terms of the customer agreement upon transfer of title and risk of loss to the customer, net of estimated returns, provided that collection is determined to be reasonably assured and no significant obligations remain. Sales to domestic resellers of home robots are typically subject to agreements allowing for limited rights of return, rebates and price protection. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights of return at the time the related sale is recorded. The Company makes an estimate of sales returns for products sold by domestic resellers directly based on historical returns experience and other relevant data. The Company's international distributor agreements do not currently allow for product returns and, as a result, no reserve for returns is established for this group of customers. The Company has aggregated and analyzed historical returns from domestic resellers and end users which form the basis of its estimate of future sales returns by resellers or end users. When a right of return exists, the provision for these estimated returns is recorded as a reduction of revenue at the time that the related revenue is recorded. If actual returns differ significantly from its estimates, such differences could have a material impact on the Company's results of operations for the period in which the returns become known. The estimates for returns are adjusted periodically based upon historical rates of returns. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates.

Under cost-plus-fixed-fee ("CPFF") type contracts, the Company recognizes revenue based on costs incurred plus a pro rata portion of the total fixed fee. Costs incurred include labor and material that are directly associated with individual CPFF contracts plus indirect overhead and general and administrative type costs based upon billing rates submitted by the Company to the Defense Contract Management Agency ("DCMA"). Annually, the Company submits final indirect billing rates to DCMA based upon actual costs incurred throughout the year. In the situation where the Company's final actual billing rates are greater than the estimated rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is collected from the customer. These final billing rates are subject to audit by the Defense Contract Audit Agency ("DCAA"), which can occur several years after the final billing rates are submitted and may result in material adjustments to revenue recognized based on estimated final billing rates. As of March 29, 2014, fiscal year 2007 is under audit by DCAA, and fiscal years 2008 through 2013 are open for audit by DCAA. In the situation where the Company's anticipated actual billing rates will be lower than the provisional rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is identified. Revenue on firm fixed price ("FFP") contracts is recognized using the percentage-of-completion method. For government product FFP contracts, revenue is recognized as the product is shipped or in accordance with the contract terms. Costs and estimated gross margins on contracts are recorded as revenue as work is performed based on the percentage that incurred costs compare to estimated total costs utilizing the most recent estimates of costs and funding. Changes in job performance, job conditions, and estimated profitability, including those arising from final contract settlements and government audits, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to past performance in the current period. When the current contract estimate indicates a loss, a provision is made for the total anticipated loss in the current period. Revenue earned in excess of billings, if any, is recorded as unbilled revenue. Billings in excess of revenue earned, if any, are recorded as deferred revenue.

Stock-Based Compensation

The Company accounts for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair value as calculated by the Black-Scholes option-pricing model. Stock-based compensation cost for restricted stock awards, time-based restricted stock units and performance-based restricted stock units is measured based

on the closing fair market value of the Company's common stock on the date of grant. For performance-based restricted stock units, the compensation costs will be subsequently adjusted for assumptions of achievement during the period in which the assumption of achievement changes, as applicable. The Company recognizes stock-based compensation as expense ratably on a straight-line basis over the requisite service period, net of estimated forfeitures.

Net Income Per Share

The following table presents the calculation of both basic and diluted net income per share:

	Three Months Ended	
	(In thousands, except per share amounts)	
	March 29, 2014	March 30, 2013
Net income	\$ 5,280	\$ 8,355
Weighted-average shares outstanding	29,189	27,930
Dilutive effect of employee stock options and restricted shares	844	628
Diluted weighted-average shares outstanding	30,033	28,558
Basic income per share	\$ 0.18	\$ 0.30
Diluted income per share	\$ 0.18	\$ 0.29

Restricted stock units and stock options representing approximately 0.1 million and 1.1 million shares of common stock for the three month periods ended March 29, 2014 and March 30, 2013, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been antidilutive.

Income Taxes

The Company is subject to taxation in the United States and various states and foreign jurisdictions. Though the statute of limitations is closed for fiscal years prior to 2010, the Internal Revenue Service ("IRS") has completed and closed its examination for all fiscal years prior to 2011. The statute of limitations for examinations by state tax authorities is closed for fiscal years prior to 2009. The Company's tax returns are currently under examination by certain states for the years 2009, 2010 and 2011. Federal carryforward attributes that were generated prior to fiscal year 2011, and state carryforward attributes that were generated prior to fiscal year 2009 may still be adjusted upon examination by the IRS or state tax authorities if they either have been or will be used in a period for which the statute of limitations is still open.

Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company monitors the realization of its deferred tax assets based on changes in facts and circumstances, for example recurring periods of income for tax purposes following historical periods of cumulative losses or changes in tax laws or regulations. The Company's income tax provisions and its assessment of the ability to realize its deferred tax assets involve significant judgments and estimates.

The Company recorded a tax provision of \$2.5 million and \$0.5 million for the three month periods ended March 29, 2014 and March 30, 2013, respectively. The \$2.5 million provision for the three month period ended March 29, 2014 resulted in an effective income tax rate of 32.2%. The \$0.5 million provision for the three month period ended March 30, 2013 resulted in an effective income tax rate of 5.8%. The increase in the effective income tax rate from 5.8% for the three month period ended March 30, 2013 to 32.2% for the three month period ended March 29, 2014 was primarily due to legislation that was enacted in January 2013 that included the extension of the federal research and development tax credits. The legislation retroactively reinstated research and development tax credits for 2012 and extended them through December 31, 2013. As a result, the Company recorded a discrete benefit related to 2012 during the three month period ended March 30, 2013. In addition, the federal research and development tax credits expired at the end of 2013 and have not been enacted for 2014. Therefore, the effective income tax rate of 32.2% for the three month period ended March 29, 2014 does not include any benefit for the federal research and development tax credits.

The Company anticipates the settlement of state tax examinations may be finalized within the next twelve months and could result in a decrease in its unrecognized gross tax benefits of up to \$0.7 million.

In September 2013, the U.S. Department of the Treasury and the IRS issued final regulations addressing the acquisition, production and improvement of tangible property, and also proposed regulations addressing the disposition of property. These regulations replace previously issued temporary regulations and are effective for tax years beginning January 1, 2014, with optional adoption permitted in 2013. The Company has analyzed the impact of these new regulations and they did not have a material impact on the Company's consolidated financial statements.

Fair Value Measurements

The authoritative guidance for fair value establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial Assets

The Company's financial assets measured at fair value on a recurring basis at March 29, 2014, were as follows:

Description	Fair Value Measurements as of March 29, 2014		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 95,258	\$ —	\$ —
Corporate and government bonds	—	30,540	—
Total assets measured at fair value	\$ 95,258	\$ 30,540	\$ —

The Company's financial assets measured at fair value on a recurring basis at December 28, 2013, were as follows:

<u>Description</u>	Fair Value Measurements as of December 28, 2013		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 101,441	\$ —	\$ —
Corporate and government bonds	—	21,954	—
Total assets measured at fair value	<u>\$ 101,441</u>	<u>\$ 21,954</u>	<u>\$ —</u>

In each table above, the bond investments are valued based on observable market values as of the Company's reporting date and are included in Level 2. The bond investments are recorded at fair value and marked-to-market at the end of each reporting period. The realized and unrealized gains and losses are included in comprehensive income for that period. The fair value of the Company's bond investment is included in short term investments in its consolidated balance sheet.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company evaluates goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) annually or more frequently if the Company believes indicators of impairment exist. In accordance with the guidance, the Company is permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step goodwill impairment test is performed.

The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The Company completes the annual impairment evaluation during the fourth quarter of each year.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update related to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This new guidance clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when certain situations exist at the reporting date. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The impact of this amendment on the Company's consolidated financial statements was not material.

In February 2013, the FASB issued guidance requiring disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance was effective prospectively for the Company for annual and interim

periods beginning January 1, 2013. The impact of these amendments on the Company's consolidated financial statements was not material.

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

**Commitments and
Contingencies - Summary of
Future Minimum Rental
Payments under Operating
Leases (Detail) (USD \$)**

3 Months Ended

**Mar. 29, Mar. 30,
2014 2013**

[Commitments and Contingencies Disclosure \[Abstract\]](#)

Rental expense under operating leases

\$ 1,100,000 \$ 1,000,000

[Disclosure Summary Of Future Minimum Rental Payments Under Operating Leases \[Abstract\]](#)

Remainder of 2013

2,556,000

2014

3,363,000

2015

2,662,000

2016

2,383,000

2017

2,383,000

Thereafter

3,177,000

Total minimum lease payments

\$
16,524,000

Consolidated Balance Sheets
(Unaudited) (USD \$)
In Thousands, unless
otherwise specified

Mar. Dec.
29, 28,
2014 2013

Current assets:

<u>Cash and cash equivalents</u>	\$	\$
	154,824	165,404
<u>Short term investments</u>	30,540	21,954
<u>Accounts receivable, net of allowance of \$67 at March 29, 2014 and December 28, 2013</u>	36,540	39,348
<u>Unbilled revenue</u>	931	856
<u>Inventory</u>	41,390	46,107
<u>Deferred tax assets</u>	19,950	20,144
<u>Other current assets</u>	10,436	6,848
<u>Total current assets</u>	294,611	300,661
<u>Property and equipment, net</u>	25,119	23,661
<u>Deferred tax assets</u>	10,433	10,095
<u>Goodwill</u>	48,751	48,751
<u>Finite-Lived Intangible Assets, Net</u>	21,764	22,668
<u>Other assets</u>	10,501	10,501
<u>Total assets</u>	411,179	416,337
<u>Current liabilities:</u>		
<u>Accounts payable</u>	34,221	41,344
<u>Accrued expenses</u>	13,563	14,880
<u>Employee-related Liabilities, Current</u>	7,744	19,606
<u>Deferred Revenue, Current</u>	4,420	5,085
<u>Total current liabilities</u>	59,948	80,915
<u>Long term liabilities</u>	4,414	4,733
<u>Commitments and contingencies (Note 6)</u>		
<u>Redeemable convertible preferred stock, 5,000,000 shares authorized and none outstanding</u>	0	0
<u>Common stock, \$0.01 par value, 100,000,000 shares authorized; 29,435,149 and 28,935,253 shares issued and outstanding at March 29, 2014 and December 28, 2013, respectively</u>	294	289
<u>Additional paid-in capital</u>	238,154	227,175
<u>Retained earnings</u>	108,358	103,078
<u>Accumulated other comprehensive income</u>	11	147
<u>Total stockholders' equity</u>	346,817	330,689
<u>Total liabilities, redeemable convertible preferred stock and stockholders' equity</u>	\$	\$
	411,179	416,337

**Consolidated Statements of
Cash Flows (Unaudited)
(USD \$)
In Thousands, unless
otherwise specified**

3 Months Ended

**Mar. 29,
2014** **Mar. 30,
2013**

Cash flows from operating activities:

Net income \$ 5,280 \$ 8,355

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization 3,142 3,284

Loss on disposal of property and equipment (10) 182

Stock-based compensation 3,078 2,929

Increase (Decrease) in Deferred Income Taxes 1,912 (449)

Tax benefit of excess stock based compensation deductions (2,231) (43)

Non-cash director deferred compensation 11 11

Changes in operating assets and liabilities - (use) source

Accounts receivable 2,808 2,133

Unbilled revenue (75) (1,056)

Inventory 4,080 4,805

Other assets (3,588) (983)

Accounts payable (7,924) (12,711)

Accrued expenses (1,399) 379

Accrued compensation (11,862) (4,867)

Deferred revenue and customer advances (665) (2,628)

Long term liabilities (319) 815

Net cash provided by operating activities (7,762) 156

Cash flows from investing activities:

Additions of property and equipment (2,177) (1,077)

Payments for (Proceeds from) Other Investing Activities 0 2,000

Purchases of investments (11,211) (2,547)

Sales of investments 2,500 1,000

Net cash used in investing activities (10,888) (4,624)

Cash flows from financing activities:

Proceeds from stock option exercises 6,957 1,744

Income tax withholding payment associated with restricted stock vesting (1,118) (513)

Tax benefit of excess stock-based compensation deductions 2,231 43

Net cash provided by financing activities 8,070 1,274

Net decrease in cash and cash equivalents (10,580) (3,194)

Cash and cash equivalents, at beginning of period 165,404 126,770

Cash and cash equivalents, at end of period 154,824 123,576

Supplemental disclosure of cash flow information:

Cash paid for income taxes 3,284 1,510

Noncash investing activity, transfer of inventory to property and equipment 637 0

Noncash or Part Noncash Acquisition, Fixed Assets Acquired \$ 1,373 \$ 0

**Industry Segment,
Geographic Information and
Significant Customers -
Additional Information
(Detail)**

3 Months Ended

**Mar. 29, Mar. 30,
2014 2013**

Revenues from External Customers and Long-Lived Assets [Line Items]

Number of operating segments 2

Number of customer generating major revenues 2

Customer Concentration Risk [Member] | Customer Concentration Risk [Member]

Revenues from External Customers and Long-Lived Assets [Line Items]

Concentration Risk, Percentage 60.80% 59.60%

Customer Concentration Risk [Member] | International distributors of home robots products | Distributor One

Revenues from External Customers and Long-Lived Assets [Line Items]

Concentration Risk, Percentage 20.00% 21.90%

Customer Concentration Risk [Member] | International distributors of home robots products | Distributor Two

Revenues from External Customers and Long-Lived Assets [Line Items]

Concentration Risk, Percentage 13.10% 10.20%

Summary of Significant Accounting Policies - Revision (Details)	3 Months Ended Mar. 29, 2014
<u>Document Period End Date</u>	Mar. 29, 2014

Goodwill, Other Intangible Assets and Other Assets - Additional Information (Detail) (USD \$)	3 Months Ended			3 Months Ended			Oct. 02, 2012 Home Robots Evolution Robotics, Inc. (ER)	Mar. 29, 2014 Defense & Security Research LLC [Member]	Sep. 30, 2008 Defense & Security Research LLC [Member]	Sep. 30, 2008 Defense and Security Reporting Unit [Member]	Sep. 30, 2008 Research Reporting Unit [Member]
	Mar. 29, 2014	Mar. 30, 2013	Dec. 28, 2013	Mar. 29, 2014 Minimum	Mar. 29, 2014 Maximum	Mar. 29, 2014 Defense & Security Research LLC [Member]					
Business Acquisition [Line Items]											
Goodwill	\$ 48,751,000		\$ 48,751,000			\$ 41,100,000	\$ 7,700,000		\$ 7,700,000		\$ 200,000
Goodwill, Gross									7,900,000		
Estimated useful life of intangible assets				2 years	10 years						
Amortization of Acquired Intangible Assets	\$ 900,000	\$ 1,000,000									

**Summary of Significant
Accounting Policies -
Additional Information
(Detail) (USD \$)
In Thousands, except Share
data in Millions, unless
otherwise specified**

3 Months Ended

	Mar. 29, 2014	Mar. 30, 2013	Dec. 28, 2013
<u>Disclosure Summary Of Significant Accounting Policies Additional Information [Abstract]</u>			
<u>Finite-Lived Intangible Assets, Gross</u>	\$ 31,500		\$ 31,500
<u>Finite-Lived Intangible Assets, Net</u>	\$ 21,764		\$ 22,668
<u>Antidilutive Securities Excluded from Computation of Earnings Per Share, Amount</u>	0.1	1.1	

Description of Business

3 Months Ended

Mar. 29, 2014

[Organization, Consolidation
and Presentation of](#)

[Financial Statements](#)

[\[Abstract\]](#)

[Description of Business](#)

1. Description of Business

iRobot Corporation (“iRobot” or the “Company”) develops robotics and artificial intelligence technologies and applies these technologies in producing and marketing robots. The majority of the Company’s revenue is generated from product sales and, to a lesser extent, government and commercial research and development contracts.

**Consolidated Balance Sheets
(Unaudited) (Parenthetical)
(USD \$)
In Thousands, except Share
data, unless otherwise
specified**

Mar. 29, 2014 Dec. 28, 2013

<u>Net allowances on Accounts receivables</u>	\$ 67	\$ 67
<u>Preferred stock, shares authorized</u>	5,000,000	5,000,000
<u>Preferred stock, shares outstanding</u>	0	0
<u>Common stock, par value</u>	\$ 0.01	\$ 0.01
<u>Common stock, shares authorized</u>	100,000,000	100,000,000
<u>Common stock, shares issued</u>	29,435,149	28,935,253
<u>Common stock, shares outstanding</u>	29,435,149	28,935,253

Inventory (Tables)

3 Months Ended Mar. 29, 2014

[Inventory Disclosure \[Abstract\]](#)

[Components of Inventory](#)

Inventory consists of the following:

	<u>March</u> 29, 2014	<u>December</u> 28, 2013
	(In thousands)	
Raw materials	\$ 8,692	\$ 8,520
Work in process	—	—
Finished goods	32,698	37,587
	<u>\$41,390</u>	<u>\$ 46,107</u>

**Document and Entity
Information**

3 Months Ended

Mar. 29, 2014

Apr. 29, 2014

Entity Information [Line Items]

<u>Document Type</u>	10-Q	
<u>Amendment Flag</u>	false	
<u>Document Period End Date</u>	Mar. 29, 2014	
<u>Document Fiscal Year Focus</u>	2014	
<u>Document Fiscal Period Focus</u>	Q1	
<u>Trading Symbol</u>	IRBT	
<u>Entity Registrant Name</u>	IROBOT CORP	
<u>Entity Central Index Key</u>	0001159167	
<u>Current Fiscal Year End Date</u>	--12-27	
<u>Entity Filer Category</u>	Large Accelerated Filer	
<u>Entity Common Stock, Shares Outstanding</u>		29,479,815

Accrued Expenses (Tables)

**3 Months Ended
Mar. 29, 2014**

[Accrued Liabilities, Current \[Abstract\]](#)
[Components of Accrued Expenses](#)

Accrued expenses consist of the following:

	<u>March 29, 2014</u>	<u>December 28, 2013</u>
	<u>(In thousands)</u>	
Accrued warranty	\$ 6,358	\$ 6,497
Accrued sales tax	759	831
Accrued rent	720	726
Accrued direct fulfillment costs	670	1,362
Accrued accounting fees	323	181
Accrued contractors	298	509
Accrued sales commissions	247	539
Accrued other	4,188	4,235
	<u>\$ 13,563</u>	<u>\$ 14,880</u>

**Consolidated Statements of
Income (Unaudited) (USD \$)
In Thousands, except Per
Share data, unless otherwise
specified**

**3 Months
Ended
Mar. 29,
2014 Mar. 30,
2013**

Revenue:

<u>Total revenue</u>	\$	\$
	114,204	106,195

Cost of revenue:

<u>Total cost of revenue</u>	62,494	59,668
<u>Gross margin</u>	51,710	46,527

Operating expenses:

<u>Research and development</u>	16,934	14,408
<u>Selling and marketing</u>	14,532	10,697
<u>General and administrative</u>	12,264	12,458
<u>Total operating expenses</u>	43,730	37,563
<u>Operating income</u>	7,980	8,964
<u>Other income (expense), net</u>	(187)	(96)
<u>Income before income taxes</u>	7,793	8,868
<u>Income tax expense</u>	2,513	513
<u>Net income</u>	5,280	8,355

Net income per share

<u>Basic, in dollars per share</u>	\$ 0.18	\$ 0.30
<u>Diluted, in dollars per share</u>	\$ 0.18	\$ 0.29

Number of shares used in calculations per share

<u>Basic, in shares</u>	29,189	27,930
<u>Diluted, in shares</u>	30,033	28,558

Total stock-based compensation recorded in the three months ended March 30, 2013 and March 31, 2012 included in the above figures breaks down by expense classification as follows:

<u>Stock based compensation</u>	3,078	2,929
Cost of Sales [Member]		

Total stock-based compensation recorded in the three months ended March 30, 2013 and March 31, 2012 included in the above figures breaks down by expense classification as follows:

<u>Stock based compensation</u>	169	118
Research and development		

Total stock-based compensation recorded in the three months ended March 30, 2013 and March 31, 2012 included in the above figures breaks down by expense classification as follows:

<u>Stock based compensation</u>	731	501
Selling and marketing		

Total stock-based compensation recorded in the three months ended March 30, 2013 and March 31, 2012 included in the above figures breaks down by expense classification as follows:

<u>Stock based compensation</u>	338	366
General and administrative		

Total stock-based compensation recorded in the three months ended March 30, 2013 and March 31, 2012 included in the above figures breaks down by expense classification as follows:

<u>Stock based compensation</u>	\$ 1,840	\$ 1,944
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Commitments and Contingencies

3 Months Ended
Mar. 29, 2014

[Commitments and Contingencies Disclosure](#)

[\[Abstract\]](#)

[Commitments and Contingencies](#)

6. Commitments and Contingencies

Lease Obligations

Rental expense under operating leases for the three months ended March 29, 2014 and March 30, 2013 were \$1.1 million and \$1.0 million, respectively. Future minimum rental payments under operating leases were as follows as of March 29, 2014:

	Operating Leases (In thousands)
Remainder of 2014	\$ 2,556
2015	3,363
2016	2,662
2017	2,383
2018	2,383
Thereafter	3,177
Total minimum lease payments	<u>\$ 16,524</u>

Outstanding Purchase Orders

At March 29, 2014, the Company had outstanding purchase orders aggregating approximately \$106 million. The purchase orders, the majority of which are with contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancelable without penalty. In circumstances where we determine that we have financial exposure associated with any of these commitments, we record a liability in the period in which that exposure is identified.

Guarantees and Indemnification Obligations

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any patent, copyright, trade secret or other proprietary right infringement claim by any third party with respect to the Company's products. The term of these indemnification agreements is generally perpetual after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of March 29, 2014 and December 28, 2013, respectively.

Warranty

The Company provides warranties on most products and has established a reserve for warranty based on identified or estimated warranty costs. The reserve is included as part of accrued expenses (Note 5) in the accompanying balance sheets.

Activity related to the warranty accrual was as follows:

	Three Months Ended	
	March 29, 2014	March 30, 2013
	(In thousands)	
Balance at beginning of period	\$ 6,497	\$ 6,057
Provision	1,133	404
Warranty usage(1)	(1,272)	(440)
Balance at end of period	<u>\$ 6,358</u>	<u>\$ 6,021</u>

(1) Warranty usage includes costs incurred for warranty obligations.

Sales Taxes

The Company collects and remits sales tax in jurisdictions in which it has a physical presence or it believes nexus exists, which therefore obligates the Company to collect and remit sales tax. The Company continually evaluates whether it has established nexus in new jurisdictions with respect to sales tax. The Company has recorded a liability for potential exposure in several states where there is uncertainty about the point in time at which the Company established a sufficient business connection to create nexus. The Company continues to analyze possible sales tax exposure, but does not currently believe that any individual claim or aggregate claims that might arise will ultimately have a material effect on its consolidated results of operations, financial position or cash flows.

Accrued Expenses

**3 Months Ended
Mar. 29, 2014**

[Accrued Liabilities, Current \[Abstract\]](#)

Accrued Expenses

5. Accrued Expenses

Accrued expenses consist of the following:

	<u>March 29, 2014</u>	<u>December 28, 2013</u>
	(In thousands)	
Accrued warranty	\$ 6,358	\$ 6,497
Accrued sales tax	759	831
Accrued rent	720	726
Accrued direct fulfillment costs	670	1,362
Accrued accounting fees	323	181
Accrued contractors	298	509
Accrued sales commissions	247	539
Accrued other	4,188	4,235
	<u>\$ 13,563</u>	<u>\$ 14,880</u>

**Summary of Significant
Accounting Policies - Basic
and Diluted Net Income Per
Share (Detail) (USD \$)
In Thousands, except Share
data, unless otherwise
specified**

3 Months Ended

**Mar. 29,
2014 Mar. 30,
2013**

**Schedule Of Computation Of Basic And Diluted Earnings Per Common Share
[Line Items]**

<u>Document Period End Date</u>	Mar. 29, 2014	Mar. 30, 2013
<u>Antidilutive Securities Excluded from Computation of Earnings Per Share, Amount</u>	100,000	1,100,000
<u>Net income</u>	\$ 5,280	\$ 8,355
<u>Weighted-average shares outstanding</u>	29,189,000	27,930,000
<u>Dilutive effect of employee stock options and restricted shares</u>	844,000	628,000
<u>Diluted weighted-average shares outstanding</u>	30,033,000	28,558,000
<u>Basic income per share</u>	\$ 0.18	\$ 0.30
<u>Diluted income per share</u>	\$ 0.18	\$ 0.29

**Commitments and
Contingencies (Tables)**

**3 Months Ended
Mar. 29, 2014**

[Commitments and Contingencies Disclosure](#)

[\[Abstract\]](#)

[Summary of Future Minimum Rental Payments
under Operating Leases](#)

Future minimum rental payments under operating leases were as follows as of March 29, 2014:

	Operating Leases
	(In thousands)
Remainder of 2014	\$ 2,556
2015	3,363
2016	2,662
2017	2,383
2018	2,383
Thereafter	3,177
Total minimum lease payments	\$ 16,524

[Activity Related to the Warranty Accrual](#)

Activity related to the warranty accrual was as follows:

	Three Months Ended	
	March 29, 2014	March 30, 2013
	(In thousands)	
Balance at beginning of period	\$ 6,497	\$ 6,057
Provision	1,133	404
Warranty usage(1)	(1,272)	(440)
Balance at end of period	\$ 6,358	\$ 6,021

(1) Warranty usage includes costs incurred for warranty obligations.

**Summary of Significant
Accounting Policies (Policies)**

[Accounting Policies](#)

[\[Abstract\]](#)

[Fair Value Measurement
Policy \[Policy Text Block\]](#)

**3 Months Ended
Mar. 29, 2014**

Fair Value Measurements

The authoritative guidance for fair value establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial Assets

The Company's financial assets measured at fair value on a recurring basis at March 29, 2014, were as follows:

<u>Description</u>	Fair Value Measurements as of March 29, 2014		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 95,258	\$ —	\$ —
Corporate and government bonds	—	30,540	—
Total assets measured at fair value	<u>\$ 95,258</u>	<u>\$ 30,540</u>	<u>\$ —</u>

The Company's financial assets measured at fair value on a recurring basis at December 28, 2013, were as follows:

<u>Description</u>	Fair Value Measurements as of December 28, 2013		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 101,441	\$ —	\$ —
Corporate and government bonds	—	21,954	—
Total assets measured at fair value	<u>\$ 101,441</u>	<u>\$ 21,954</u>	<u>\$ —</u>

In each table above, the bond investments are valued based on observable market values as of the Company's reporting date and are included in Level 2. The bond investments are recorded at fair value and marked-to-market at the end of each reporting period. The realized and unrealized gains and losses are included in comprehensive income for that period. The fair value of the Company's bond investment is included in short term investments in its consolidated balance sheet.

Basis of Presentation

Basis of Presentation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany accounts and transactions. In addition, certain prior year amounts have been reclassified to conform with the current year presentation. iRobot has prepared the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

The accompanying unaudited financial data as of March 29, 2014 and for the three months ended March 29, 2014 and March 30, 2013 has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 28, 2013, filed with the SEC on February 18, 2014.

In the opinion of management, all adjustments necessary to state fairly its statement of financial position as of March 29, 2014 and results of operations and cash flows for the periods ended March 29, 2014 and March 30, 2013 have been made. The results of operations and cash flows for any interim period are not necessarily indicative of the operating results and cash flows for the full fiscal year or any future periods.

Use of Estimates

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, sales returns, bad debts, warranty claims, inventory reserves, valuation of investments, valuation of goodwill and intangible assets, assumptions used in valuing stock-based compensation instruments and income taxes. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from the Company’s estimates.

Fiscal Year-End

Fiscal Year-End

The Company operates and reports using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, the Company’s fiscal quarters end on the Saturday that falls closest to the last day of the third month of each quarter.

Revenue Recognition

Revenue Recognition

The Company derives its revenue from product sales and, to a lesser extent, government and commercial research and development contracts. The Company sells products directly to customers and indirectly through resellers and distributors. The Company recognizes revenue from sales of robots under the terms of the customer agreement upon transfer of title and risk of loss to the customer, net of estimated returns, provided that collection is determined to be reasonably assured and no significant obligations remain. Sales to domestic resellers of home robots are typically subject to agreements allowing for limited rights of return, rebates and price protection. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights of return at the time the related sale is recorded. The Company makes an estimate of sales

returns for products sold by domestic resellers directly based on historical returns experience and other relevant data. The Company's international distributor agreements do not currently allow for product returns and, as a result, no reserve for returns is established for this group of customers. The Company has aggregated and analyzed historical returns from domestic resellers and end users which form the basis of its estimate of future sales returns by resellers or end users. When a right of return exists, the provision for these estimated returns is recorded as a reduction of revenue at the time that the related revenue is recorded. If actual returns differ significantly from its estimates, such differences could have a material impact on the Company's results of operations for the period in which the returns become known. The estimates for returns are adjusted periodically based upon historical rates of returns. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates.

Under cost-plus-fixed-fee ("CPFF") type contracts, the Company recognizes revenue based on costs incurred plus a pro rata portion of the total fixed fee. Costs incurred include labor and material that are directly associated with individual CPFF contracts plus indirect overhead and general and administrative type costs based upon billing rates submitted by the Company to the Defense Contract Management Agency ("DCMA"). Annually, the Company submits final indirect billing rates to DCMA based upon actual costs incurred throughout the year. In the situation where the Company's final actual billing rates are greater than the estimated rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is collected from the customer. These final billing rates are subject to audit by the Defense Contract Audit Agency ("DCAA"), which can occur several years after the final billing rates are submitted and may result in material adjustments to revenue recognized based on estimated final billing rates. As of March 29, 2014, fiscal year 2007 is under audit by DCAA, and fiscal years 2008 through 2013 are open for audit by DCAA. In the situation where the Company's anticipated actual billing rates will be lower than the provisional rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is identified. Revenue on firm fixed price ("FFP") contracts is recognized using the percentage-of-completion method. For government product FFP contracts, revenue is recognized as the product is shipped or in accordance with the contract terms. Costs and estimated gross margins on contracts are recorded as revenue as work is performed based on the percentage that incurred costs compare to estimated total costs utilizing the most recent estimates of costs and funding. Changes in job performance, job conditions, and estimated profitability, including those arising from final contract settlements and government audits, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to past performance in the current period. When the current contract estimate indicates a loss, a provision is made for the total anticipated loss in the current period. Revenue earned in excess of billings, if any, is recorded as unbilled revenue. Billings in excess of revenue earned, if any, are recorded as deferred revenue.

[Accounting for Share-Based Payments](#)

Stock-Based Compensation

The Company accounts for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair value as calculated by the Black-Scholes option-pricing model. Stock-based compensation cost for restricted stock awards, time-based restricted stock units and performance-based restricted stock units is measured based on the closing fair market value of the Company's common stock on the date of grant. For performance-based restricted stock units, the compensation costs will be subsequently adjusted for assumptions of achievement during the period in which the assumption of achievement changes, as applicable. The Company recognizes stock-based compensation as expense ratably on a straight-line basis over the requisite service period, net of estimated forfeitures.

[Net Income Per Share](#)

Net Income Per Share

The following table presents the calculation of both basic and diluted net income per share:

	Three Months Ended	
	(In thousands, except per share amounts)	
	March 29, 2014	March 30, 2013
Net income	\$ 5,280	\$ 8,355
Weighted-average shares outstanding	29,189	27,930
Dilutive effect of employee stock options and restricted shares	844	628
Diluted weighted-average shares outstanding	30,033	28,558
Basic income per share	\$ 0.18	\$ 0.30
Diluted income per share	\$ 0.18	\$ 0.29

Restricted stock units and stock options representing approximately 0.1 million and 1.1 million shares of common stock for the three month periods ended March 29, 2014 and March 30, 2013, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been antidilutive.

Income Taxes

Income Taxes

The Company is subject to taxation in the United States and various states and foreign jurisdictions. Though the statute of limitations is closed for fiscal years prior to 2010, the Internal Revenue Service ("IRS") has completed and closed its examination for all fiscal years prior to 2011. The statute of limitations for examinations by state tax authorities is closed for fiscal years prior to 2009. The Company's tax returns are currently under examination by certain states for the years 2009, 2010 and 2011. Federal carryforward attributes that were generated prior to fiscal year 2011, and state carryforward attributes that were generated prior to fiscal year 2009 may still be adjusted upon examination by the IRS or state tax authorities if they either have been or will be used in a period for which the statute of limitations is still open.

Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company monitors the realization of its deferred tax assets based on changes in facts and circumstances, for example recurring periods of income for tax purposes following historical periods of cumulative losses or changes in tax laws or regulations. The Company's income tax provisions and its assessment of the ability to realize its deferred tax assets involve significant judgments and estimates.

The Company recorded a tax provision of \$2.5 million and \$0.5 million for the three month periods ended March 29, 2014 and March 30, 2013, respectively. The \$2.5 million provision for the three month period ended March 29, 2014 resulted in an effective income tax rate of 32.2%. The \$0.5 million provision for the three month period ended March 30, 2013 resulted in an effective income tax rate of 5.8%. The increase in the effective income tax rate from 5.8% for the three month period ended March 30, 2013 to 32.2% for the three month period ended March 29, 2014 was primarily due to legislation that was enacted in January 2013 that included the extension of the federal research and development tax credits. The legislation retroactively reinstated research and development tax credits for 2012 and extended them through December 31, 2013. As a result, the Company recorded a discrete benefit related to 2012 during the three

month period ended March 30, 2013. In addition, the federal research and development tax credits expired at the end of 2013 and have not been enacted for 2014. Therefore, the effective income tax rate of 32.2% for the three month period ended March 29, 2014 does not include any benefit for the federal research and development tax credits.

The Company anticipates the settlement of state tax examinations may be finalized within the next twelve months and could result in a decrease in its unrecognized gross tax benefits of up to \$0.7 million.

In September 2013, the U.S. Department of the Treasury and the IRS issued final regulations addressing the acquisition, production and improvement of tangible property, and also proposed regulations addressing the disposition of property. These regulations replace previously issued temporary regulations and are effective for tax years beginning January 1, 2014, with optional adoption permitted in 2013. The Company has analyzed the impact of these new regulations and they did not have a material impact on the Company's consolidated financial statements.

[Goodwill](#)

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company evaluates goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) annually or more frequently if the Company believes indicators of impairment exist. In accordance with the guidance, the Company is permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step goodwill impairment test is performed.

The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The Company completes the annual impairment evaluation during the fourth quarter of each year.

[Recent Accounting Pronouncements](#)

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update related to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This new guidance clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when certain situations exist at the reporting date. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The impact of this amendment on the Company's consolidated financial statements was not material.

In February 2013, the FASB issued guidance requiring disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance was effective prospectively for the Company for annual and interim periods beginning January 1, 2013. The impact of these amendments on the Company's consolidated financial statements was not material.

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

**Industry Segment,
Geographic Information and
Significant Customers**

3 Months Ended

Mar. 29, 2014

Segment Reporting

[Abstract]

**Industry Segment, Geographic
Information and Significant
Customers**

. Industry Segment, Geographic Information and Significant Customers

The Company operates in two reportable segments, the home robots business unit and the defense and security robots business unit. The nature of products and types of customers for the two segments vary significantly. As such, the segments are managed separately.

Home Robots

The Company's home robots business unit offers products to consumers through a network of retail businesses throughout the United States, to various countries through international distributors and retailers, and through the Company's on-line store. The Company's home robots business unit includes mobile robots used in the maintenance of households.

Defense and Security

The Company's defense and security robots business unit offers products to the U.S. Department of Defense through a small U.S. government-focused sales force and distributors, and to other North American and international entities through small domestic and international sales teams, as well as through North American and international distributors. The Company's defense and security robots are used to increase warfighters', law enforcement, security forces and first responders' safety and productivity.

Other

The Company's other revenue and cost of revenue result from other smaller business units that do not meet the criteria of a reportable segment, as well as certain operational costs included in cost of revenue.

The table below presents segment information about revenue, cost of revenue, gross margin and income before income taxes:

	Three Months Ended	
	(In thousands)	
	March 29, 2014	March 30, 2013
Revenue:		
Home Robots	\$ 108,035	\$ 92,699
Defense & Security	5,602	11,100
Other	567	2,396
Total revenue	<u>114,204</u>	<u>106,195</u>
Cost of revenue:		
Home Robots	53,595	48,025
Defense & Security	3,518	5,825
Other	5,381	5,818
Total cost of revenue	<u>62,494</u>	<u>59,668</u>
Gross margin:		
Home Robots	54,440	44,674
Defense & Security	2,084	5,275
Other	<u>(4,814)</u>	<u>(3,422)</u>

Total gross margin	51,710	46,527
Research and development	16,934	14,408
Selling and marketing	14,532	10,697
General and administrative	12,264	12,458
Other income (expense), net	(187)	(96)
Income before income taxes	\$ 7,793	\$ 8,868

Geographic Information

For the three months ended March 29, 2014 and March 30, 2013, sales to non-U.S. customers accounted for 60.8% and 59.6% of total revenue, respectively.

Significant Customers

For the three months ended March 29, 2014, the Company generated 20.0% and 13.1%, respectively, of total revenue from two of its international distributors of home robots products. For the three months ended March 30, 2013, the Company generated 21.9% and 10.2%, respectively, of total revenue from two of its international distributors of home robots products.

**Goodwill, Other Intangible
Assets and Other Assets**

**3 Months Ended
Mar. 29, 2014**

[Goodwill and Intangible
Assets Disclosure \[Abstract\]](#)
[Investments in Debt and
Marketable Equity Securities
\(and Certain Trading Assets\)
Disclosure \[Text Block\]](#)

Other Assets

Other assets at March 29, 2014 and December 28, 2013 consisted of the following:

	March 29, 2014	December 28, 2013
(In thousands)		
Investment in Advanced Scientific Concepts, Inc.	\$ 2,500	\$ 2,500
Investment in InTouch Technologies, Inc.	8,001	8,001
	<u>\$ 10,501</u>	<u>\$ 10,501</u>

These investments are accounted for utilizing the cost method of accounting. The Company regularly monitors the investments to determine if facts and circumstances have changed in a manner that would require a change in accounting methodology. Additionally, the Company periodically evaluates whether or not an investment has been impaired by considering such factors as economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment. If any such impairment is identified, a reduction in the carrying value of the investment would be recorded at that time.

Other assets at March 29, 2014 and December 28, 2013 consisted of the following:

	March 29, 2014	December 28, 2013
(In thousands)		
Investment in Advanced Scientific Concepts, Inc.	\$ 2,500	\$ 2,500
Investment in InTouch Technologies, Inc.	8,001	8,001
	<u>\$ 10,501</u>	<u>\$ 10,501</u>

[Schedule of Cost Method
Investments \[Table Text
Block\]](#)

. Goodwill, Other Intangible Assets and Other Assets

Goodwill

The carrying amount of the Company's goodwill at March 29, 2014 is \$48.8 million, of which \$41.1 million resulted from the acquisition of Evolution Robotics, Inc. in October 2012 and was assigned to the home robots reporting unit. \$7.7 million resulted from the acquisition of Nekton Research, LLC completed in September 2008 and was assigned to the defense and security reporting unit. In conjunction with the Company's reorganization completed as of the beginning of the fiscal year 2013, the defense and security reporting unit was divided into two reporting units: the defense and security reporting unit and the research reporting unit. As a result, the goodwill of \$7.9 million was reassigned utilizing a relative fair value allocation approach. \$7.7 million and \$0.2 million were reassigned to the defense and security and research reporting units, respectively.

Other Intangible Assets

Other intangible assets include the value assigned to completed technology, research contracts, and a trade name. The estimated useful lives for all of these intangible assets are two to ten years. The intangible assets are being amortized on a straight-line basis, which is consistent with the pattern that the economic benefits of the intangible assets are expected to be utilized.

Intangible assets at March 29, 2014 and December 28, 2013 consisted of the following:

March 29, 2014				December 28, 2013			
Cost	Accumulated Amortization	Impairment Loss	Net	Cost	Accumulated Amortization	Impairment Loss	Net
(In thousands)							

[Goodwill, Other Intangible
Assets and Other Assets](#)

Completed technology	\$30,600	\$ 7,098	\$ 1,788	\$21,714	\$30,600	\$ 6,202	1,788	\$22,610
Research contracts	100	100	—	—	100	100	—	—
Tradename	800	750	—	50	800	742	—	58
Total	<u>\$31,500</u>	<u>\$ 7,948</u>	<u>\$ 1,788</u>	<u>\$21,764</u>	<u>\$31,500</u>	<u>\$ 7,044</u>	<u>\$ 1,788</u>	<u>\$22,668</u>

Amortization expense related to acquired intangible assets was \$0.9 million and \$1.0 million for the three months ended March 29, 2014 and March 30, 2013, respectively. The estimated future amortization expense is expected to be as follows:

	(In thousands)
Remainder of 2014	\$ 2,618
2015	3,482
2016	3,457
2017	3,457
2018	3,457
Thereafter	5,293
Total	<u>\$ 21,764</u>

**Summary of Significant
Accounting Policies (Tables)**

**[Accounting Policies \[Abstract\]
Basic and Diluted Net Income Per
Share](#)**

**3 Months Ended
Mar. 29, 2014**

The following table presents the calculation of both basic and diluted net income per share:

	Three Months Ended	
	(In thousands, except per share amounts)	
	March 29, 2014	March 30, 2013
Net income	\$ 5,280	\$ 8,355
Weighted-average shares outstanding	29,189	27,930
Dilutive effect of employee stock options and restricted shares	844	628
Diluted weighted-average shares outstanding	30,033	28,558
Basic income per share	\$ 0.18	\$ 0.30
Diluted income per share	\$ 0.18	\$ 0.29

**[Fair Value Assets Measured on
Recurring Basis](#)**

The Company's financial assets measured at fair value on a recurring basis at March 29, 2014, were as follows:

<u>Description</u>	Fair Value Measurements as of March 29, 2014		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 95,258	\$ —	\$ —
Corporate and government bonds	—	30,540	—
Total assets measured at fair value	\$ 95,258	\$ 30,540	\$ —

The Company's financial assets measured at fair value on a recurring basis at December 28, 2013, were as follows:

<u>Description</u>	Fair Value Measurements as of December 28, 2013		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 101,441	\$ —	\$ —
Corporate and government bonds	—	21,954	—
Total assets measured at fair value	\$ 101,441	\$ 21,954	\$ —

Industry Segment, Geographic Information and Significant Customers - Segment Information about Revenue, Cost of Revenue, Gross Margin and Income before Income Taxes (Detail)

3 Months Ended

Mar. 29, 2014 Mar. 30, 2013

(USD \$)

In Thousands, unless otherwise specified

Revenue:

<u>Total revenue</u>	\$ 114,204	\$ 106,195
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Cost of revenue:

<u>Total cost of revenue</u>	62,494	59,668
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Gross margin:

<u>Gross margin</u>	51,710	46,527
---------------------	--------	--------

<u>Research and development</u>	16,934	14,408
---------------------------------	--------	--------

<u>Selling and marketing</u>	14,532	10,697
------------------------------	--------	--------

<u>General and administrative</u>	12,264	12,458
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<u>Other income (expense), net</u>	(187)	(96)
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<u>Income before income taxes</u>	7,793	8,868
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Home Robots

Revenue:

<u>Total revenue</u>	108,035	92,699
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Cost of revenue:

<u>Total cost of revenue</u>	53,595	48,025
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Gross margin:

<u>Gross margin</u>	54,440	44,674
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Defense & Security

Revenue:

<u>Total revenue</u>	5,602	11,100
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Cost of revenue:

<u>Total cost of revenue</u>	3,518	5,825
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Gross margin:

<u>Gross margin</u>	2,084	5,275
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Other

Revenue:

<u>Total revenue</u>	567	2,396
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Cost of revenue:

<u>Total cost of revenue</u>	5,381	5,818
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Gross margin:

<u>Gross margin</u>	\$ (4,814)	\$ (3,422)
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**Goodwill, Other Intangible
Assets and Other Assets
(Tables)**

3 Months Ended

Mar. 29, 2014

[Goodwill and Intangible
Assets Disclosure \[Abstract\]
Schedule of Cost Method
Investments \[Table Text
Block\]](#)

Other assets at March 29, 2014 and December 28, 2013 consisted of the following:

	March 29, 2014	December 28, 2013
(In thousands)		
Investment in Advanced Scientific Concepts, Inc.	\$ 2,500	\$ 2,500
Investment in InTouch Technologies, Inc.	8,001	8,001
	<u>\$ 10,501</u>	<u>\$ 10,501</u>

[Other Intangible Assets](#)

Intangible assets at March 29, 2014 and December 28, 2013 consisted of the following:

	March 29, 2014			December 28, 2013				
	Cost	Accumulated Amortization	Impairment Loss	Net	Cost	Accumulated Amortization	Impairment Loss	Net
(In thousands)								
Completed technology	\$30,600	\$ 7,098	\$ 1,788	\$21,714	\$30,600	\$ 6,202	1,788	\$22,610
Research contracts	100	100	—	—	100	100	—	—
Tradename	800	750	—	50	800	742	—	58
Total	<u>\$31,500</u>	<u>\$ 7,948</u>	<u>\$ 1,788</u>	<u>\$21,764</u>	<u>\$31,500</u>	<u>\$ 7,044</u>	<u>\$ 1,788</u>	<u>\$22,668</u>

[Estimated Future Amortization
Expense Related to Current
Intangible Assets](#)

The estimated future amortization expense is expected to be as follows:

	(In thousands)
Remainder of 2014	\$ 2,618
2015	3,482
2016	3,457
2017	3,457
2018	3,457
Thereafter	5,293
Total	<u>\$ 21,764</u>

**Summary of Significant
Accounting Policies - Fair
Value Assets Measured on
Recurring Basis (Detail)
(USD \$)**

**Mar. 29,
2014 Dec. 28,
2013**

**In Thousands, unless
otherwise specified**

Fair Value, Inputs, Level 1 [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring \$ 95,258 \$ 101,441

Fair Value, Inputs, Level 1 [Member] | Money Market Funds [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 95,258 101,441

Fair Value, Inputs, Level 1 [Member] | Bonds [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 0 0

Fair Value, Inputs, Level 2 [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 30,540 21,954

Fair Value, Inputs, Level 2 [Member] | Money Market Funds [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 0 0

Fair Value, Inputs, Level 2 [Member] | Bonds [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 30,540 21,954

Fair Value, Inputs, Level 3 [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 0 0

Fair Value, Inputs, Level 3 [Member] | Money Market Funds [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring 0 0

Fair Value, Inputs, Level 3 [Member] | Bonds [Member]

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

Assets, Fair Value Disclosure, Recurring \$ 0 \$ 0

**Consolidated Statements of
Comprehensive Income
(Unaudited) (USD \$)
In Thousands, unless
otherwise specified**

3 Months Ended

Mar. 29, 2014 Mar. 30, 2013

Statement of Partners' Capital [Abstract]

<u>Net income, as reported</u>	\$ 5,280	\$ 8,355
<u>Other comprehensive income (loss), net of tax:</u>		
<u>Unrealized gains/(losses) on investments, net of tax</u>	(136)	12
<u>Total comprehensive income</u>	\$ 5,144	\$ 8,367

Stock Option Plans

**3 Months Ended
Mar. 29, 2014**

[Disclosure of Compensation
Related Costs, Share-based
Payments \[Abstract\]
Stock Option Plans](#)

4. Stock Option Plans

The Company has options outstanding under three stock incentive plans: the 2004 Stock Option and Incentive Plan (the "2004 Plan"), the 2005 Stock Option and Incentive Plan (the "2005 Plan") and the Evolution Robotics, Inc. 2007 Stock Plan (the "2007 Plan" and together with the 2004 Plan and the 2005 Plan, the "Plans"). All options that remained outstanding under the 1994 Stock Option Plan as of December 28, 2013 were exercised during the three month period ended March 29, 2014. The 2005 Plan is the only one of the three plans under which new awards may currently be granted. Under the 2005 Plan, which became effective October 10, 2005, 1,583,682 shares were initially reserved for issuance in the form of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards and restricted stock awards. Additionally, the 2005 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning in 2007, by 4.5% of the outstanding number of shares of common stock on the immediately preceding December 31. Stock options returned to the Plans, with the exception of those issued under the 2007 Plan, as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2005 Plan. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code of 1986, as amended. As of March 29, 2014, there were 5,031,694 shares available for future grant under the 2005 Plan.

Options granted under the Plans are subject to terms and conditions as determined by the compensation committee of the board of directors, including vesting periods. Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over periods from zero to five years, and expire seven or ten years from the date of grant or, if earlier, 60 or 90 days from employee termination. The exercise price of incentive stock options is equal to the closing price on the NASDAQ Global Market on the date of grant. The exercise price of nonstatutory options may be set at a price other than the fair market value of the common stock.

**Summary of Significant
Accounting Policies - Fair
Value Assets Measured on a
Nonrecurring Basis (Details)
(USD \$)**

**In Thousands, unless
otherwise specified**

**Mar. 29, Dec. 28,
2014 2013**

**Sep. 30, 2008
Nekton Research LLC
[Member]
Research Reporting
Unit [Member]**

**Fair Value, Assets and Liabilities Measured on Recurring and
Nonrecurring Basis [Line Items]**

Goodwill

\$ 48,751 \$ 48,751 \$ 200

Finite-Lived Intangible Assets, Gross

31,500 31,500

Finite-Lived Intangible Assets, Net

\$ 21,764 \$ 22,668

**Goodwill, Other Intangible
Assets and Other Assets -
Estimated Future
Amortization Expense
Related to Current
Intangible Assets (Detail)
(USD \$)
In Thousands, unless
otherwise specified**

**Mar. 29, Dec. 28,
2014 2013**

**Disclosure Estimated Future Amortization Expense Related To Current Intangible
Assets [Abstract]**

<u>Remainder of 2014</u>	\$ 2,618	
<u>2014</u>	3,482	
<u>2015</u>	3,457	
<u>2016</u>	3,457	
<u>2017</u>	3,457	
<u>Thereafter</u>	5,293	
<u>Intangible Assets, Net</u>	\$ 21,764	\$ 22,668

**Industry Segment,
Geographic Information and
Significant Customers
(Tables)**

3 Months Ended

Mar. 29, 2014

[Segment Reporting \[Abstract\]](#)

[Segment Information about Revenue, Cost of Revenue, Gross Margin and Income before Income Taxes](#)

The table below presents segment information about revenue, cost of revenue, gross margin and income before income taxes:

	Three Months Ended	
	(In thousands)	
	March 29, 2014	March 30, 2013
Revenue:		
Home Robots	\$108,035	\$ 92,699
Defense & Security	5,602	11,100
Other	567	2,396
Total revenue	<u>114,204</u>	<u>106,195</u>
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Home Robots	53,595	48,025
Defense & Security	3,518	5,825
Other	5,381	5,818
Total cost of revenue	<u>62,494</u>	<u>59,668</u>
Gross margin:		
Home Robots	54,440	44,674
Defense & Security	2,084	5,275
Other	(4,814)	(3,422)
Total gross margin	<u>51,710</u>	<u>46,527</u>
Research and development	16,934	14,408
Selling and marketing	14,532	10,697
General and administrative	12,264	12,458
Other income (expense), net	<u>(187)</u>	<u>(96)</u>
Income before income taxes	<u>\$ 7,793</u>	<u>\$ 8,868</u>