



Dear Stockholder:

April 13, 2015

You are cordially invited to attend the annual meeting of stockholders of iRobot Corporation to be held at 2:00 p.m., local time, on Wednesday, May 20, 2015 at iRobot Corporation headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730.

At this annual meeting, you will be asked to elect three (3) Class I directors for three-year terms, to elect one (1) Class III director for a two-year term, to ratify the appointment of our independent registered public accountants, to approve the iRobot Corporation 2015 Stock Option and Incentive Plan (the "2015 Plan"), to approve amendments to our amended and restated certificate of incorporation to adopt majority voting standards (the "Restated Certificate"), to cast an advisory vote on the approval of the compensation of our named executive officers, and to consider a stockholder proposal entitled "Elect Each Director Annually." The board of directors unanimously recommends that you vote FOR election of the director nominees, FOR ratification of appointment of our independent registered public accountants, FOR approval of the 2015 Plan, FOR approval of the Restated Certificate, FOR approval, on an advisory basis, of the compensation of our named executive officers, and AGAINST the stockholder proposal entitled "Elect Each Director Annually".

Details regarding the matters to be acted upon at this annual meeting appear in the accompanying proxy statement. Please give this material your careful attention.

Whether or not you plan to attend the annual meeting, we urge you to sign and return the enclosed proxy so that your shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

Very truly yours,

COLIN M. ANGLE

Chief Executive Officer & Chairman of the Board

SUMMARY OF RECENT CHANGES TO CORPORATE GOVERNANCE AND EXECUTIVE COMPENSATION

In our continuing efforts to improve corporate governance and better align executive compensation with company performance, the following highlights elements of our corporate governance and executive compensation that are described in more detail in the proxy statement.

	<u>2014</u>	<u>2015</u>
Corporate Governance	Termination of rights plan - "poison pill"	Adoption of majority voting standards for removal of directors and amendments to certain provisions of our certificate of incorporation
	Adopted majority voting standard for election of directors	
Executive Compensation	Designed 50% of executives' LTI to be based on the Company's financial performance	Inclusion of clawback policy

Corporate Governance

At our 2014 annual meeting of stockholders, our stockholders voted to request that our board of directors take the steps necessary so that each voting requirement in our existing amended and restated certificate of incorporation (the "Current Certificate") and by-laws that calls for a greater than a simple majority vote be eliminated and replaced by a majority voting standard. In response to the strong support from our stockholders, iRobot's board of directors has proposed an amendment to the Current Certificate to adopt majority voting standards for removal of directors and amendments to certain provisions of the certificate of incorporation. Details on this proposal appear on pages 49-50 of this proxy statement.

These proposed changes are in addition to unilateral changes made by our board of directors in 2014, including the termination of the Company's shareholder rights plan -- commonly known as a "poison pill"-- and a change to a majority voting standard for the election of directors.

We will continue to evaluate our corporate governance to ensure it remains in the best interests of our stockholders.

Executive Compensation

We continue to evaluate our program and policies to ensure that they emphasize pay-for-performance. In 2014, the compensation committee made an important change to its long-term incentive structure through the inclusion of performance-based equity awards for our executive officers. As more fully described in this proxy statement, a significant portion of our long-term incentives is now "at risk" based upon the Company's performance. This is in addition to our non-equity incentive based compensation, which is strictly "at risk" and based on financial performance. Overall, our executive compensation program contains the following highlights:

- Annual "say-on-pay" vote
- Clawback policy
- Strong stock ownership and stock holding guidelines
- Oversight of risks associated with compensation policies and practice
- "Double trigger" change in control agreements
- Independent compensation consultant
- No pension benefits for executive officers
- No discounted options
- No option repricing without stockholder approval
- No excise tax gross-ups
- No hedging or pledging of Company stock
- No excessive perquisites for executives

A full description of our executive compensation program is contained in the Compensation Discussion and Analysis section in this proxy statement.

iROBOT CORPORATION
8 Crosby Drive
Bedford, Massachusetts 01730
(781) 430-3000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 20, 2015

To the Stockholders of iRobot Corporation:

The annual meeting of stockholders of iRobot Corporation, a Delaware corporation (the "Company"), will be held on Wednesday, May 20, 2015, at 2:00 p.m., local time, at iRobot Corporation headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730, for the following purposes:


1. To elect three (3) Class I directors, nominated by the board of directors, each to serve for a three year term and until his or her successor has been duly elected and qualified or until his or her earlier resignation or removal and to elect one (1) Class III director, nominated by the board of directors, to serve for a two-year term and until her successor has been duly elected and qualified or until her earlier resignation or removal;
2. To ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the current fiscal year;
3. To approve the iRobot Corporation 2015 Stock Option and Incentive Plan;
4. To approve amendments to our amended and restated certificate of incorporation to adopt majority voting standards;
5. To hold an advisory vote on the approval of the compensation of our named executive officers;
6. To consider a stockholder proposal entitled "Elect Each Director Annually," which proposal is opposed by the board of directors, if such proposal is properly introduced at the meeting; and
7. To transact such other business as may properly come before the annual meeting and any adjournments or postponements thereof.

Proposal 1 relates solely to the election of three (3) Class I directors and one (1) Class III director nominated by the board of directors and does not include any other matters relating to the election of directors, including without limitation, the election of directors nominated by any stockholder of the Company.

Only stockholders of record at the close of business on April 9, 2015, are entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof.

All stockholders are cordially invited to attend the annual meeting in person. However, to assure your representation at the annual meeting, we urge you, whether or not you plan to attend the annual meeting, to sign and return the enclosed proxy so that your shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Directions to iRobot Corporation headquarters can be found at the Company's website, <http://www.irobot.com>.

By Order of the Board of Directors,



GLEN D. WEINSTEIN
Executive Vice President,
Chief Legal Officer and Secretary

Bedford, Massachusetts
April 13, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 20, 2015. THE PROXY STATEMENT AND ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT <https://materials.proxyvote.com/462726>.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.

IN ACCORDANCE WITH OUR SECURITY PROCEDURES, ALL PERSONS ATTENDING THE ANNUAL MEETING WILL BE REQUIRED TO PRESENT PICTURE IDENTIFICATION.

TABLE OF CONTENTS

PROXY STATEMENT	1
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	3
PROPOSAL 1 — ELECTION OF DIRECTORS	5
Nominees	5
Recommendation of the Board	6
DIRECTORS AND EXECUTIVE OFFICERS	7
CORPORATE GOVERNANCE AND BOARD MATTERS	10
Board Leadership Structure	10
Independence of Members of the Board of Directors	10
Executive Sessions of Independent Directors	10
The Board of Directors' Role in Risk Oversight	10
Policies Governing Director Nominations	11
Policy Governing Security Holder Communications with the Board of Directors	12
Policy Governing Director Attendance at Annual Meetings of Stockholders	13
Board of Directors Evaluation Program	13
Code of Ethics	13
THE BOARD OF DIRECTORS AND ITS COMMITTEES	14
Board of Directors	14
Audit Committee	14
Compensation Committee	14
Nominating and Corporate Governance Committee	16
Compensation Committee Interlocks and Insider Participation	16
REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS	16
REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS	18
COMPENSATION AND OTHER INFORMATION CONCERNING EXECUTIVE OFFICERS AND DIRECTORS	19
Compensation Discussion & Analysis	19
Executive Compensation Summary	30
Grants of Plan-Based Awards in 2014	31
Outstanding Equity Awards at Fiscal Year End	32
Options Exercises and Stock Vested	33
Potential Benefits Upon Termination or Change in Control	33
Director Compensation	34
Transactions with Related Persons	36
PROPOSAL 2 — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS	37
PricewaterhouseCoopers LLP Fees	37
Recommendation of the Board	38
PROPOSAL 3 — APPROVAL OF THE IROBOT CORPORATION 2015 STOCK OPTION AND INCENTIVE PLAN	39
Recommendation of the Board	44
PROPOSAL 4 - APPROVAL OF THE AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ADOPT MAJORITY VOTING STANDARDS	45
Recommendation of the Board	45
PROPOSAL 5 - ADVISORY VOTE ON THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS	46
Recommendation of the Board	46
PROPOSAL 6 - STOCKHOLDER PROPOSAL ENTITLED "ELECT EACH DIRECTOR ANNUALLY"	47
Recommendation of the Board	47
OTHER MATTERS	49

STOCKHOLDER PROPOSALS	49
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	49
EXPENSES AND SOLICITATION	49
Exhibit A	A
Annex A	A-1
Annex B	B-1

iROBOT CORPORATION
8 Crosby Drive
Bedford, Massachusetts 01730
PROXY STATEMENT
For the Annual Meeting of Stockholders
To Be Held on May 20, 2015

April 13, 2015

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of iRobot Corporation, a Delaware corporation (the "Company" or "iRobot"), for use at the annual meeting of stockholders to be held on Wednesday, May 20, 2015, at 2:00 p.m., local time, at iRobot Corporation headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730, and any adjournments or postponements thereof. An annual report to stockholders, containing financial statements for the fiscal year ended December 27, 2014, is being mailed together with this proxy statement to all stockholders entitled to vote at the annual meeting. This proxy statement and the form of proxy are expected to be first mailed to stockholders on or about April 17, 2015.

The purposes of the annual meeting are to elect three (3) Class I directors for three-year terms, to elect one (1) Class III director for a two-year term, to ratify the appointment of the Company's independent registered public accountants, to approve the iRobot Corporation 2015 Stock Option and Incentive Plan (the "2015 Plan"), to approve amendments to our amended and restated certificate of incorporation to adopt majority voting standards (the "Restated Certificate"), to hold an advisory vote on the compensation of our named executive officers, and to consider a stockholder proposal entitled "Elect Each Director Annually." Only stockholders of record at the close of business on April 9, 2015 will be entitled to receive notice of and to vote at the annual meeting. As of March 24, 2015, 29,690,899 shares of common stock, \$.01 par value per share, of the Company were issued and outstanding. The holders of common stock are entitled to one vote per share on any proposal presented at the annual meeting.

Stockholders may vote in person or by proxy. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Secretary of the Company, before the taking of the vote at the annual meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly completing a later-dated proxy relating to the same shares and delivering it to the Secretary of the Company before the taking of the vote at the annual meeting, or (iii) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Secretary, before the taking of the vote at the annual meeting.

The representation in person or by proxy of at least a majority of the outstanding shares of common stock entitled to vote at the annual meeting is necessary to constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions and broker "non-votes" are counted as present or represented for purposes of determining the presence or absence of a quorum for the annual meeting. A "non-vote" occurs when a nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Broker "non-votes" are not considered voted for the particular matter and have the effect of reducing the number of affirmative votes required to achieve a majority for such matter by reducing the total number of shares from which the majority is calculated.

For Proposal 1, the election of three Class I directors and one Class III director, the affirmative vote of holders of a majority of the votes cast by holders of shares present, in person or represented by proxy, and entitled to vote on the matter is required for approval. Abstentions and broker non-votes will not be counted as voting with respect to the election of the directors and, therefore, will not have an effect on the election of the Class I directors or the Class III director.

For Proposal 2, the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the current fiscal year, Proposal 3, approval of the 2015 Plan, Proposal 5, the advisory vote on the compensation of our named executive officers, and Proposal 6, the stockholder proposal entitled "Elect Each Director Annually," an affirmative vote of a majority of the shares present, in person or represented by proxy, and voting on each such matter is required for approval. Abstentions are included in the number of shares present or represented and entitled to vote on each such matter.

For Proposal 4, the vote on the Restated Certificate, an affirmative vote of not less than 75% of the outstanding shares entitled to vote as of the record date is required for approval.

The persons named as attorneys-in-fact in the proxies, Glen D. Weinstein and Alison Dean, were selected by the board of directors and are officers of the Company. All properly executed proxies returned in time to be counted at the annual meeting will be voted by such person at the annual meeting. Where a choice has been specified on the proxy with respect to the foregoing matters, the shares represented by the proxy will be voted in accordance with the specifications. If no such specifications are indicated, such proxies will be voted FOR election of the director nominees, FOR ratification of the appointment of our independent registered public accountants, FOR the approval of the 2015 Plan, FOR the approval of the Restated Certificate, FOR the approval on an advisory basis, of the compensation of our named executive officers, and AGAINST the stockholder proposal entitled "Elect Each Director Annually".

Aside from the election of directors, the ratification of the appointment of the independent registered public accountants, the approval of the 2015 Plan, the approval of the Restated Certificate, the advisory vote on the compensation of our named executive officers and the stockholder proposal entitled "Elect Each Director Annually," the board of directors knows of no other matters to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote properly may be taken, shares represented by all proxies received by the board of directors will be voted with respect thereto in accordance with the judgment of the persons named as attorneys-in-fact in the proxies.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of the Company's common stock as of March 27, 2015: (i) by each person who is known by the Company to beneficially own more than 5% of the outstanding shares of common stock; (ii) by each director or nominee of the Company; (iii) by each named executive officer of the Company; and (iv) by all directors and executive officers of the Company as a group. Unless otherwise noted below, the address of each person listed on the table is c/o iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730.

Name of Beneficial Owner	Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned(2)
BlackRock, Inc.(3) 40 East 52 nd St. New York, NY 10022	2,512,817	8.50%
The Vanguard Group, Inc.(4) 100 Vanguard Boulevard Malvern, PA 19355	1,841,733	6.23%
T. Rowe Price Associates, Inc.(5) 100 East Pratt Street Baltimore, MD 21202-1009	1,669,000	5.60%
Colin M. Angle(6)	694,474	2.34%
Alison Dean(7)	53,868	*
Russell J. Campanello(8)	89,374	*
Paolo Pirjanian (9)	75,146	*
Glen D. Weinstein(10)	60,303	*
Christian Cerda (11)	49,087	*
Ronald Chwang(12)	260,806	*
Gail Deegan(13)	11,596	*
Deborah G. Ellinger(14)	15,424	*
Andrea Geisser(15)	72,145	*
George C. McNamee(16)	156,282	*
Paul J. Kern(17)	83,147	*
Paul Sagan(18)	21,922	*
Michelle V. Stacy	—	*
All executive officers, directors and nominees as a group (19) (14 persons)	1,643,574	5.53%

* Represents less than 1% of the outstanding common stock.

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. Unless otherwise indicated below, to the knowledge of the Company, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Pursuant to the rules of the Securities and Exchange Commission, the number of shares of common stock deemed outstanding includes (i) shares issuable pursuant to options held by the respective person or group that are currently exercisable or may be exercised within 60 days of March 27, 2015 and (ii) shares issuable pursuant to restricted stock units held by the respective person or group that vest within 60 days of March 27, 2015.
- (2) Applicable percentage of ownership as of March 27, 2015 is based upon 29,707,029 shares of common stock outstanding.
- (3) BlackRock Inc. has sole voting power with respect to 2,448,066 shares and sole dispositive power with respect to 2,512,817 shares. This information has been obtained from a Schedule 13G/A filed by BlackRock Inc. with the Securities and Exchange Commission on January 22, 2015.
- (4) The Vanguard Group Inc. has sole voting power with respect to 41,709 shares, sole dispositive power with respect to 1,802,924 shares and shared dispositive power with respect to 38,809 shares. Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 38,809 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 2,900 shares as a result of its serving as investment manager of

Australian investment offerings. The address of each reporting entity is 100 Vanguard Boulevard, Malvern, PA 19355. This information has been obtained from a Schedule 13G/A filed by The Vanguard Group, Inc. with the Securities and Exchange Commission on February 10, 2015.

- (5) T. Rowe Price Associates, Inc. has sole voting power with respect to 391,600 shares and sole dispositive power with respect to 1,669,000 shares. This information has been obtained from a Schedule 13G filed by T. Rowe Price Associates, Inc. with the Securities and Exchange Commission on February 13, 2015. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, MD 21202.
- (6) Includes 290,480 shares issuable to Mr. Angle upon exercise of stock options and 5,700 shares issuable to Mr. Angle upon vesting of restricted stock units.
- (7) Includes 32,888 shares issuable to Ms. Dean upon exercise of stock options and 931 shares issuable to Ms. Dean upon vesting of restricted stock units.
- (8) Includes 50,152 shares issuable to Mr. Campanello upon exercise of stock options.
- (9) Includes 65,059 shares issuable to Dr. Pirjanian upon exercise of stock options.
- (10) Includes 22,035 shares issuable to Mr. Weinstein upon exercise of stock options and 1,437 shares issuable to Mr. Weinstein upon vesting of restricted stock units.
- (11) Includes 31,798 shares issuable to Mr. Cerda upon exercise of stock options.
- (12) Includes an aggregate of 140,000 shares held by iD5 Fund, L.P. Dr. Chwang is a general partner of the management company for iD5 Fund, L.P. and may be deemed to share voting and investment power with respect to all shares held by iD5 Fund, L.P. Dr. Chwang disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any. Also includes 30,000 shares issuable to Dr. Chwang upon exercise of stock options, 3,243 shares issuable to Dr. Chwang upon vesting of restricted stock options and 79,210 shares held in a trust for the benefit of certain of his family members. As co-trustees of the family trust, Dr. Chwang shares voting and dispositive power over the shares held by the trust with his spouse.
- (13) Includes 3,243 shares issuable to Ms. Deegan upon vesting of restricted stock units.
- (14) Includes 3,243 shares issuable to Ms. Ellinger upon vesting of restricted stock units.
- (15) Includes 40,000 shares issuable to Mr. Geisser upon exercise of stock options, 3,243 shares issuable to Mr. Geisser upon vesting of restricted stock units and 12,643 shares issuable to Mr. Geisser upon termination of service.
- (16) Includes 70,000 shares issuable to Mr. McNamee upon exercise of stock options, 3,243 shares issuable to Mr. McNamee upon vesting of restricted stock units and 3,487 shares issuable to Mr. McNamee upon termination of service.
- (17) Includes 60,000 shares issuable to Gen. Kern upon exercise of stock options, 3,243 shares issuable to Gen. Kern upon vesting of restricted stock units and 8,492 shares issuable to Gen. Kern upon termination of service.
- (18) Includes 2,500 shares issuable to Mr. Sagan upon exercise of stock options, 3,243 shares issuable to Mr. Sagan upon vesting of restricted stock units and 4,767 shares issuable to Mr. Sagan upon termination of service.
- (19) Includes an aggregate of 694,912 shares issuable upon exercise of stock options held by eleven executive officers and directors, an aggregate of 30,769 shares issuable upon vesting of restricted stock units held by ten executive officers and directors and an aggregate of 29,389 shares issuable upon termination of service to four (4) directors.

PROPOSAL 1
ELECTION OF DIRECTORS

Nominees

Our board of directors currently consists of nine members. Our amended and restated certificate of incorporation divides the board of directors into three classes. One class is elected each year for a term of three years. The board of directors, upon the recommendation of the nominating and corporate governance committee, has nominated Colin M. Angle, Ronald Chwang, Ph.D., and Deborah G. Ellinger and recommended that each be elected to the board of directors as a Class I director, each to hold office until the annual meeting of stockholders to be held in the year 2018 or until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal. Mr. Angle, Dr. Chwang and Ms. Ellinger are Class I directors whose terms expire at this annual meeting. The board of directors, upon the recommendation of the nominating and corporate governance committee, has nominated Michelle V. Stacy and recommended that she be elected to the board of directors as a Class III director, to hold office until the annual meeting of stockholders to be held in the year 2017 or until her successor has been duly elected and qualified or until her earlier death, resignation or removal. Ms. Stacy was appointed by the board of directors as a Class III director in August 2014. The board of directors is also composed of (i) two Class II directors (George McNamee and Paul Sagan) whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2016 and (ii) two Class III directors (Gail Deegan and Andrea Geisser) whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2017. General Kern is not standing for reelection to the board of directors.

The board of directors knows of no reason why any of the nominees would be unable or unwilling to serve, but if any nominee should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the board of directors may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE NOMINEES LISTED BELOW.

The following table sets forth the nominees to be elected at the annual meeting and continuing directors, the year each such nominee or director was first elected a director, the positions with us currently held by each nominee and director, the year each nominee's or director's current term will expire and each nominee's and director's current class:

<u>Nominee's or Director's Name and Year First Became a Director</u>	<u>Position(s) with the Company</u>	<u>Year Current Term Will Expire</u>	<u>Current Class of Director</u>
Nominees for Class I Directors:			
Colin M. Angle 1992	Chairman of the Board, Chief Executive Officer and Director	2015	I
Ronald Chwang, Ph.D. 1998	Director	2015	I
Deborah G. Ellinger 2011	Director	2015	I
Nominee for Class III Directors:			
Michelle V. Stacy 2014 (1)	Director	2017	III
Continuing Directors:			
George C. McNamee 1999	Director	2016	II
Paul Sagan 2010	Director	2016	II
Gail Deegan 2011	Director	2017	III
Andrea Geisser 2004	Director	2017	III

- (1) Ms. Stacy was appointed by the board of directors as a Class III director in August 2014. At the time of the appointment, the board of directors set Ms. Stacy's election by the stockholders to occur at the next scheduled annual meeting of stockholders.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the director nominees to be elected at the annual meeting, the directors and the executive officers of the Company, their ages immediately prior to the annual meeting, and the positions currently held by each such person with the Company:

Name	Age	Position
Colin M. Angle	47	Chairman of the Board, Chief Executive Officer and Director
Alison Dean	50	Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer
Russell J. Campanello	59	Executive Vice President, Human Resources and Corporate Communications
Paolo Pirjanian, Ph.D.	47	Executive Vice President, Chief Technology Officer
Glen D. Weinstein	44	Executive Vice President, Chief Legal Officer
Christian Cerda	45	Senior Vice President and General Manager, Home Robots Business Unit
Ronald Chwang, Ph.D.(1)	67	Director
Gail Deegan(2)	68	Director
Deborah G. Ellinger(1)	56	Director
Andrea Geisser(2)	72	Director
George C. McNamee(1)(3)	68	Director
Paul J. Kern, Gen. U.S. Army (ret)(2)	69	Director
Paul Sagan(3)	56	Director
Michelle V. Stacy	60	Director

-
- (1) Member of compensation committee
(2) Member of audit committee
(3) Member of nominating and corporate governance committee

Colin M. Angle, a co-founder of iRobot, has served as chairman of the board since October 2008, as chief executive officer since June 1997, and prior to that, as our president since November 1992. Mr. Angle has also served as a director since October 1992. Mr. Angle also worked at the National Aeronautical and Space Administration's Jet Propulsion Laboratory where he participated in the design of the behavior-controlled rovers that led to Sojourner exploring Mars in 1997. Mr. Angle holds a B.S. in Electrical Engineering and an M.S. in Computer Science, both from MIT. As a co-founder and chief executive officer, Mr. Angle provides a critical contribution to the board of directors reflecting his detailed knowledge of the Company, our employees, our client base, our prospects, the strategic marketplace and our competitors.

Alison Dean has served as our executive vice president, chief financial officer, treasurer and principal accounting officer since April 2013. Ms. Dean previously served as our senior vice president, corporate finance from February 2010 until March 2013. From March 2007 until February 2010, Ms. Dean served as our vice president, financial controls & analysis. From August 2005 until March 2007, Ms. Dean served as our vice president, financial planning & analysis. From 1995 to August 2005, Ms. Dean served in a number of positions at 3Com Corporation, including vice president and corporate controller from 2004 to 2005 and vice president of finance - worldwide sales from 2003 to 2004. Ms. Dean holds a B.A. in Business Economics from Brown University and an M.B.A. from Boston University.

Russell Campanello has served as our executive vice president, human resources and corporate communications since February 2014. Mr. Campanello previously served as our senior vice president, human resources and corporate communications from July 2013 until February 2014. From November 2010 until July 2013, Mr. Campanello served as our senior vice president, human resources. Prior to joining iRobot, Mr. Campanello served as senior vice president, human resources and administration at Phase Forward, Inc. from April 2008 until September 2010. Mr. Campanello previously served as senior vice president of human resources and marketing at Keane, Inc., a business process and information technology consulting firm, from September 2003 to October 2007. Prior to Keane, Mr. Campanello served as chief people officer at NerveWire from August 2000 to February 2003. Prior to NerveWire, he served as senior vice president, human resources at Genzyme Corp. from November 1997 to July 2000. Earlier in his career, Mr. Campanello

spent nine years as vice president of human resources at Lotus Development Corporation. He attended Suffolk University's Executive M.B.A. program, and holds a B.S. degree in Business Administration from the University of Massachusetts.

Paolo Pirjanian has served as our executive vice president, chief technology officer since February, 2014. Dr. Pirjanian previously served as our senior vice president, chief technology officer from October 2012 until February, 2014. Prior to joining iRobot, he served as chief executive officer of Evolution Robotics, Inc. for seven years. Before that, Dr. Pirjanian was the chief technology officer of Evolution Robotics, Inc. Earlier in his career, he worked as a lecturer in the computer science department at the University of Southern California and as a researcher at the NASA Jet Propulsion Laboratory where he received the Technical Leadership Award. Dr. Pirjanian is the former U.S. chairman of IEEE Robotics and received the IEEE Robotics and Automation Society Early Career Award in 2004. He holds a Ph.D. in robotics from Aalborg University.

Glen D. Weinstein has served as our executive vice president and chief legal officer since August 2012. Mr. Weinstein previously served as our general counsel from July 2000 to August 2012 and as senior vice president from January 2005 to August 2012. Since March 2004, he has also served as our secretary. Prior to joining iRobot, Mr. Weinstein was with Covington & Burling LLP, a law firm in Washington, D.C. Mr. Weinstein holds a B.S. in Mechanical Engineering from MIT and a J.D. from the University of Virginia School of Law.

Christian Cerda has served as our senior vice president and general manager of our Home Robot Business Unit since May 2013. He has direct responsibility over global sales, marketing and product development and oversees a multifunctional team managing all operational execution areas of the unit. Prior to iRobot, he was General Manager at Whirlpool Corporation and before that served in senior positions at The Boston Consulting Group and Procter & Gamble. Mr. Cerda holds a bachelor of science degree in computer engineering from Universidad Simon Bolivar and an M.S. in business administration with distinction from the Northwestern University Kellogg Graduate School of Management.

Ronald Chwang, Ph.D., has served as a director since November 1998. Dr. Chwang is the chairman and president of iD Ventures America, LLC (formerly known as Acer Technology Ventures, LLC) under the iD SoftCapital Group, a venture investment and management consulting service group formed in January 2005. From August 1998 until December 2004, Dr. Chwang was the chairman and president of Acer Technology Ventures, LLC, managing high-tech venture investment activities in North America. Dr. Chwang also serves on the board of directors of AU Optronics and a number of other private high tech companies. Dr. Chwang holds a B.Eng. (with honors) in Electrical Engineering from McGill University and a Ph.D. in Electrical Engineering from the University of Southern California. Dr. Chwang brings to the board of directors his extensive experience in the technology industry, through both company operations and venture capital investment.

Gail Deegan has served as a director since May 2011. From February 1996 until her retirement in September 2001, Ms. Deegan served as executive vice president and chief financial officer of Houghton Mifflin Company, a publishing company. From February 1995 to February 1996, Ms. Deegan was senior vice president of regulatory and government affairs for NYNEX New England, and from November 1991 to January 1995, was vice president and chief financial officer of New England Telephone. From 1988 to January 1990, Ms. Deegan was senior vice president, chief financial officer and treasurer of Eastern Enterprises, and from February 1990 to May 1991, was senior vice president, chief financial officer and chief administrative officer of that company. Ms. Deegan is a director of EMC Corporation. Ms. Deegan holds a B.A. in elementary education from The College of Saint Rose, an M.S. in History from Ohio State University, and an M.B.A. from Simmons College School of Management. Ms. Deegan brings to the board of directors her extensive experience with financial accounting matters for complex organizations and oversight of both the corporate governance requirements and financial reporting process of public companies.

Deborah G. Ellinger, has served as a director since November 2011. Ms. Ellinger is the former chief executive officer of The Princeton Review, former president of Restoration Hardware and former chief executive officer of Wellness Pet Food. She led each of those companies while they were owned by private equity firms, and successfully grew each business before transitioning them to new ownership. Previously, she served as an executive vice president at CVS Pharmacy, a senior vice president at Staples and a partner at The Boston Consulting Group. Ms. Ellinger began her career with Mellon Financial Corporation. Ms. Ellinger also serves on the board of Interpublic Group, and is a former director of The Princeton Review, Sealy Corporation, and National Life Group. Her assignments have taken her all over the world; she has lived and worked in Europe, Asia and America. She is qualified as a Barrister-at-Law in London, as a member of the Inner Temple. Ms. Ellinger holds an M.A. and B.A. in Law and Mathematics from the University of Cambridge. Ms. Ellinger brings extensive experience in international retail and consumer products to the board.

Andrea Geisser has served as a director since March 2004. Mr. Geisser is currently a senior advisor to Zephyr Management Inc., a global private equity firm that specializes in emerging markets (Africa, India, Sri Lanka), and a member of the investment committee of some of those funds. From 1995 to 2005, Mr. Geisser was a managing director of Fenway Partners. Prior to founding Fenway Partners, Mr. Geisser was a managing director of Butler Capital Corporation. Prior to that, he was a managing director of Onex Investment Corporation, a Canadian management buyout company. From 1974 to 1986, he was a senior officer of Exor America. Mr. Geisser has been a board member and audit committee member of several private companies. Mr. Geisser holds a B.A.

from Bocconi University in Milan, Italy and a P.M.D. from Harvard Business School. Mr. Geisser brings to the board of directors his extensive experience regarding the management of companies, as well as his financial expertise.

George C. McNamee has served as a director since August 1999. Currently a private investor, Mr. McNamee served as a managing partner of FA Technology Ventures, an information and energy technology venture capital firm, from 2000 until 2012. He serves as chairman of the board of directors of Plug Power Inc., a leading fuel cell developer, and is a director of several private companies, a Sterling Fellow of Yale and a Trustee of the Albany Academies and The American Friends of Eton College. Mr. McNamee previously served on the board of directors of Broadpoint (now Gleacher) Securities as well as serving from 1984 to 2007 as chairman of its predecessor First Albany Companies and was also a board member of the New York Stock Exchange Inc., MapInfo, Home Shopping Network and the Meta Group. He received his B.A. from Yale University. Mr. McNamee brings to the board of directors his extensive experience regarding the management of public and private companies, as well as his financial expertise.

Paul J. Kern, Gen. U.S. Army (ret.) has served as a director since May 2006. Gen. Kern has served as a senior counselor to The Cohen Group, an international strategic business consulting firm, since January 2005. Gen. Kern also served as president and chief operating officer of AM General LLC from August 2008 until January 2010. From 1963 to 2004, Gen. Kern served in the U.S. Army and, from October 2001 to November 2004, as Commanding General of the U.S. Army Materiel Command. Prior to his command in the U.S. Army Materiel Command, he served as the military deputy to the Assistant Secretary of the Army for Acquisition, Logistics and Technology. Gen. Kern also serves on the board of directors of Exelis Corporation, LGS Innovations and Covant LLC and is a former director of EDO Corporation, Anteon International Corporation and ITT Corporation. He holds a B.S. from the United States Military Academy at West Point, an M.S. in Civil Engineering from the University of Michigan and an M.S. in Mechanical Engineering from the University of Michigan. Gen. Kern brings to the board of directors his extensive experience in the military and defense industry. Gen. Kern's term will expire at the annual meeting, and he will not stand for reelection.

Paul L. Sagan has served as a director since February 2010. He is an executive in residence (XIR) at General Catalyst Partners, a venture capital firm based in Cambridge, Massachusetts. He is also vice chairman of Akamai Technologies, Inc. (NASDAQ: AKAM), and previously served as the company's chief executive officer from April 2005 until January 2013, and as its president beginning in May 1999. Mr. Sagan became a member of Akamai's board of directors in January 2005. Akamai is the leading cloud platform for helping enterprises provide secure, high-performing user experiences on any device, anywhere, on the Internet. From July 1997 to August 1998, Mr. Sagan was senior advisor to the World Economic Forum, a Geneva, Switzerland-based organization that provides a collaborative framework to leaders to address global issues. Previously, Mr. Sagan held senior positions at Time Warner Cable and Time Inc., affiliates of Time Warner Inc., and CBS, Inc. Mr. Sagan also serves on the board of directors of EMC Corporation, VMWare, L2, Inc. and Datto, Inc., and is a former director of Dow Jones & Company, Inc. and Digitas, Inc. Mr. Sagan brings to the board of directors his extensive experience with complex global organizations, combined with his operational and corporate governance expertise.

Michelle V. Stacy has served as a director since August 2014. As the former president of Keurig, Inc. and former vice president and general manager with Gillette/P&G, Ms. Stacy brings to the board of directors a wealth of experience leading consumer businesses and building global brands. During her five-year tenure at Keurig Inc., a division of Keurig Green Mountain, the company's revenue grew from \$493 million in FY2008 to \$4.3 billion for FY2013. Ms. Stacy sits on the Board of Directors of Tervis Tumbler Company, Young Innovations Inc. and the nonprofit French Cultural Center; is a Director Advisor to The Cambridge Group (an AC Nielson Company); and is a professional speaker on leadership, innovation and growth. She received her M.S. in Management from J. L. Kellogg Graduate School of Management - Northwestern University, her B.S. from Dartmouth College, and is bilingual in French and English.

Our executive officers are elected by the board of directors on an annual basis and serve until their successors have been duly elected and qualified or until their earlier death, resignation or removal.

CORPORATE GOVERNANCE AND BOARD MATTERS

Board Leadership Structure

Mr. Angle serves as our chief executive officer and chairman of the board. The board of directors believes that having our executive officer as chairman of the board facilitates the board of directors' decision-making process because Mr. Angle has first-hand knowledge of our operations and the major issues facing us. This also enables Mr. Angle to act as the key link between the board of directors and other members of management. To assure effective independent oversight, the board of directors annually appoints a lead independent director, as discussed further in "Executive Sessions of Independent Directors" below.

Independence of Members of the Board of Directors

The board of directors has determined that Dr. Chwang, Mses. Deegan, Ellinger, and Stacy, Messrs. Geisser, McNamee, Sagan, and Gen. Kern are independent within the meaning of the director independence standards of The NASDAQ Stock Market, Inc., or NASDAQ, and the Securities and Exchange Commission. Furthermore, the board of directors has determined that each member of each of the committees of the board of directors is independent within the meaning of the director independence standards of NASDAQ and the Securities and Exchange Commission.

Executive Sessions of Independent Directors

Executive sessions of the independent directors are held prior to each regularly scheduled in-person meeting of the board of directors. Executive sessions do not include any of our non-independent directors and are chaired by a lead independent director who is appointed annually by the board of directors from our independent directors. Mr. McNamee currently serves as the lead independent director. In this role, Mr. McNamee serves as chairperson of the independent director sessions. The independent directors of the board of directors met in executive session four (4) times in 2014.

In addition to acting as the chairperson of the independent director sessions, the lead independent director assists the board in assuring effective corporate governance. The lead independent director's specific duties include:

- providing the chairman of the board with input as to preparation of agendas for meetings;
- advising the chairman of the board as to the quality, quantity and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties;
- coordinating and developing the agenda for the executive sessions of the independent directors;
- acting as principal liaison between the independent directors and the chairman of the board on sensitive issues;
- evaluating, along with the members of the compensation committee, the chief executive officer's performance and meeting with the chief executive officer to discuss such evaluation; and
- acting as chairperson of the board in the absence of the chairman of the board or a vacancy in the position of chairman of the board.

The Board of Directors' Role in Risk Oversight

The board of directors oversees our risk management process. This oversight is primarily accomplished through the board of directors' committees and management's reporting processes, including receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The audit committee focuses on risk related to accounting, internal controls, and financial and tax reporting. The audit committee also assesses economic and business risks and monitors compliance with ethical standards. The compensation committee identifies and oversees risks associated with our executive compensation policies and practices, and the nominating and corporate governance committee identifies and oversees risks associated with director independence, related party transactions and the implementation of corporate governance policies.

Policies Governing Director Nominations

Director Qualifications

The nominating and corporate governance committee of the board of directors is responsible for reviewing with the board of directors from time to time the appropriate qualities, skills and characteristics desired of members of the board of directors in the context of the needs of the business and current make-up of the board of directors. This assessment includes consideration of the following minimum qualifications that the nominating and corporate governance committee believes must be met by all directors:

- nominees must have experience at a strategic or policy making level in a business, government, non-profit or academic organization of high standing;
- nominees must be highly accomplished in his or her respective field, with superior credentials and recognition;
- nominees must be well regarded in the community and shall have a long-term reputation for the highest ethical and moral standards;
- nominees must have sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve;
- nominees must be free of conflicts of interest and potential conflicts of interest, in particular with relationships with other boards; and
- nominees must, to the extent such nominee serves or has previously served on other boards, demonstrate a history of actively contributing at board meetings.

We do not have a formal diversity policy. However, pursuant to the Policy Governing Director Qualifications and Nominations, as part of its evaluation of potential director candidates and in addition to other standards the nominating and corporate governance committee may deem appropriate from time to time for the overall structure and composition of the board of directors, the nominating and corporate governance committee may consider whether each candidate, if elected, assists in achieving a mix of board members that represent a diversity of background and experience. Accordingly, the board of directors seeks members from diverse professional backgrounds who combine a broad spectrum of relevant industry and strategic experience and expertise that, in concert, offer us and our stockholders diversity of opinion and insight in the areas most important to us and our corporate mission. In addition, nominees for director are selected to have complementary, rather than overlapping, skill sets. All candidates for director nominee must have time available to devote to the activities of the board of directors. The nominating and corporate governance committee also considers the independence of candidates for director nominee, including the appearance of any conflict in serving as a director. Candidates for director nominee who do not meet all of these criteria may still be considered for nomination to the board of directors, if the nominating and corporate governance committee believes that the candidate will make an exceptional contribution to us and our stockholders.

Process for Identifying and Evaluating Director Nominees

The board of directors is responsible for selecting its own members. The board of directors delegates the selection and nomination process to the nominating and corporate governance committee, with the expectation that other members of the board of directors, and of management, will be requested to take part in the process as appropriate.

Generally, the nominating and corporate governance committee identifies candidates for director nominee in consultation with management, through the use of search firms or other advisors, through the recommendations submitted by stockholders or through such other methods as the nominating and corporate governance committee deems to be helpful to identify candidates. Once candidates have been identified, the nominating and corporate governance committee confirms that the candidates meet all of the minimum qualifications for director nominees established by the nominating and corporate governance committee. The nominating and corporate governance committee may gather information about the candidates through interviews, detailed questionnaires, comprehensive background checks or any other means that the nominating and corporate governance committee deems to be helpful in the evaluation process. The nominating and corporate governance committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the board of directors. Based on the results of the evaluation process, the nominating and corporate governance committee recommends candidates for the board of directors' approval as director nominees for election to the board of directors. The nominating and corporate governance committee also recommends candidates to the board of directors for appointment to the committees of the board of directors.

Procedures for Recommendation of Director Nominees by Stockholders

The nominating and corporate governance committee will consider director nominee candidates who are recommended by our stockholders. Stockholders, in submitting recommendations to the nominating and corporate governance committee for director nominee candidates, shall follow the following procedures:

The nominating and corporate governance committee must receive any such recommendation for nomination not later than the close of business on the 120th day nor earlier than the close of business on the 150th day prior to the first anniversary of the date of the proxy statement delivered to stockholders in connection with the preceding year's annual meeting.

All recommendations for nomination must be in writing and include the following:

- Name and address of the stockholder making the recommendation, as they appear on our books and records, and of such record holder's beneficial owner;
- Number of shares of our capital stock that are owned beneficially and held of record by such stockholder and such beneficial owner;
- Name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the individual recommended for consideration as a director nominee;
- All other information relating to the recommended candidate that would be required to be disclosed in solicitations of proxies for the election of directors or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including the recommended candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if approved by the board of directors and elected; and
- A written statement from the stockholder making the recommendation stating why such recommended candidate meets our criteria and would be able to fulfill the duties of a director.

Nominations must be sent to the attention of our secretary by U.S. mail (including courier or expedited delivery service) to:

iRobot Corporation
8 Crosby Drive
Bedford, Massachusetts 01730
Attn: Secretary of iRobot Corporation

Our secretary will promptly forward any such nominations to the nominating and corporate governance committee. Once the nominating and corporate governance committee receives the nomination of a candidate and the candidate has complied with the minimum procedural requirements above, such candidacy will be evaluated and a recommendation with respect to such candidate will be delivered to the board of directors.

Policy Governing Security Holder Communications with the Board of Directors

The board of directors provides to every security holder the ability to communicate with the board of directors as a whole and with individual directors on the board of directors through an established process for security holder communications as follows:

For communications directed to the board of directors as a whole, security holders may send such communications to the attention of the chairman of the board of directors by U.S. mail (including courier or expedited delivery service) to:

iRobot Corporation
8 Crosby Drive
Bedford, Massachusetts 01730
Attn: Chairman of the Board, c/o Secretary

For security holder communications directed to an individual director in his or her capacity as a member of the board of directors, security holders may send such communications to the attention of the individual director by U.S. mail (including courier or expedited delivery service) to:

iRobot Corporation
8 Crosby Drive
Bedford, Massachusetts 01730
Attn: [Name of the director], c/o Secretary

We will forward any such security holder communication to the chairman of the board, as a representative of the board of directors, or to the director to whom the communication is addressed, on a periodic basis. We will forward such communications by certified U.S. mail to an address specified by each director and the chairman of the board for such purposes or by secure electronic transmission.

Policy Governing Director Attendance at Annual Meetings of Stockholders

Our policy is to schedule a regular meeting of the board of directors on the same date as our annual meeting of stockholders and, accordingly, directors are encouraged to be present at our stockholder meetings. The nine (9) board members who were directors at the time of the annual meeting of stockholders held in 2014, attended the meeting.

Board of Directors Evaluation Program

The board of directors performs annual self-evaluations of its composition and performance, including evaluations of its standing committees and individual evaluations for each director. In addition, each of the standing committees of the board of directors conducts its own self-evaluation, which is reported to the board of directors. The board of directors retains the authority to engage its own advisors and consultants.

For more corporate governance information, you are invited to access the Corporate Governance section of our website available at <http://www.irobot.com>.

Code of Ethics

We have adopted a “code of ethics,” as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act, that applies to all of our directors and employees worldwide, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. A current copy of the Code of Business Conduct and Ethics is available at the Corporate Governance section of our website at <http://www.irobot.com>. A copy of the Code of Business Conduct and Ethics may also be obtained, free of charge, from us upon a request directed to: iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Investor Relations. We intend to disclose any amendment to or waiver of a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on its website available at <http://www.irobot.com> and/or in our public filings with the Securities and Exchange Commission.

For more corporate governance information, you are invited to access the Corporate Governance section of our website available at <http://www.irobot.com>.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors

The board of directors met six (6) times during the fiscal year ended December 27, 2014, and took action by unanimous written consent four (4) times. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the board of directors and the total number of meetings of all committees of the board of directors on which they served during fiscal 2014. The board of directors has the following standing committees: audit committee; compensation committee; and nominating and corporate governance committee, each of which operates pursuant to a separate charter that has been approved by the board of directors. A current copy of each charter is available at the Corporate Governance section of our website at <http://www.irobot.com>. Each committee reviews the appropriateness of its charter at least annually. Each committee retains the authority to engage its own advisors and consultants. The composition and responsibilities of each committee are summarized below.

Audit Committee

The audit committee of the board of directors currently consists of Mr. Geisser, Ms. Deegan and Gen. Kern, each of whom is an independent director within the meaning of the director independence standards of NASDAQ and the Securities and Exchange Commission, or SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Mr. Geisser serves as the chairman of the audit committee. In addition, the board of directors has determined that Mr. Geisser, Ms. Deegan and Gen. Kern are each financially literate and that Mr. Geisser and Ms. Deegan each qualifies as an “audit committee financial expert” under the rules of the SEC.

The audit committee met seven (7) times and took action by unanimous written consent one (1) time during the fiscal year ended December 27, 2014. The audit committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.irobot.com>.

As described more fully in its charter, the audit committee oversees the integrity of our financial statements, our accounting and financial reporting processes, our internal controls over financial reporting, our internal and external audit functions and the safeguarding of our assets. In fulfilling its role, the audit committee responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- overseeing the performance of our internal auditors and internal audit functions, including reviewing the annual internal audit risk assessment as well as the scope of, and overall plans for, the annual internal audit program;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns;
- reviewing and discussing with management risk assessment and risk management, including cyber security;
- overseeing the development of business continuity plans;
- overseeing our compliance with certain legal and regulatory requirements including, but not limited to, the Foreign Corrupt Practices Act;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement; and
- such other matters as the committee deems appropriate.

For additional information concerning the audit committee, see the “Report of the Audit Committee of the Board of Directors.”

Compensation Committee

The compensation committee of the board of directors currently consists of Mr. McNamee, Ms. Ellinger and Dr. Chwang, each of whom is an independent director within the meaning of the director independence standards of NASDAQ, a non-employee director as defined in Rule 16b-3 of the Exchange Act, and an outside director pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Mr. McNamee serves as the chairman of the compensation committee. The compensation committee’s responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers;

- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining the compensation of our chief executive officer and other executive officers;
- overseeing and administering our compensation, welfare, benefit and pension plans and similar plans and determining the compensation of all executive officers; and
- reviewing and making recommendations to the board of directors with respect to director compensation.

The compensation committee met five (5) times and took action by unanimous written consent three (3) times during the fiscal year ended December 27, 2014. The compensation committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.irobot.com>.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee of the board of directors currently consists of Messrs. McNamee and Sagan, each of whom is an independent director within the meaning of the director independence standards of NASDAQ and applicable rules of the SEC. Mr. Sagan serves as the chairman of the nominating and corporate governance committee. The nominating and corporate governance committee's responsibilities include:

- developing and recommending to the board criteria for board and committee membership;
- establishing procedures for identifying and evaluating director candidates including nominees recommended by stockholders;
- identifying individuals qualified to become board members;
- recommending to the board the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of the board and management.

The nominating and corporate governance committee met four (4) times during the fiscal year ended December 27, 2014. The nominating and corporate governance committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.irobot.com>.

Compensation Committee Interlocks and Insider Participation

During 2014, Dr. Chwang, Ms. Ellinger and Mr. McNamee served as members of the compensation committee. No member of the compensation committee was an employee or former employee of us or any of our subsidiaries, or had any relationship with us requiring disclosure herein.

During the last year, no executive officer of the Company served as: (i) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our compensation committee; (ii) a director of another entity, one of whose executive officers served on our compensation committee; or (iii) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of the Company.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

No portion of this audit committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

This report is submitted by the audit committee of the board of directors. The audit committee currently consists of Mr. Geisser (chairman), Ms. Deegan and Gen. Kern. None of the members of the audit committee is an officer or employee of the Company, and the board of directors has determined that each member of the audit committee meets the independence requirements promulgated by NASDAQ and the Securities and Exchange Commission, including Rule 10A-3(b)(1) under the Exchange Act. Each of Mr. Geisser and Ms. Deegan is an "audit committee financial expert" as is currently defined under SEC rules. The audit committee operates under a written charter adopted by the board of directors.

The audit committee oversees the Company's accounting and financial reporting processes on behalf of the board of directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the audit committee has reviewed and discussed with management the Company's consolidated financial statements for the fiscal quarters and full year ended December 27, 2014, including a discussion of, among other things, the quarterly and annual earnings press releases, the quality of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the Company's financial statements.

The audit committee also reviewed with PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, the results of their audit and discussed matters required to be discussed by the Statement on Auditing Standards No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board, other standards of the Public Company Accounting Oversight Board, rules of the Securities and Exchange Commission and other applicable regulations. The audit committee has reviewed permitted services under rules of the Securities and Exchange Commission as currently in effect and

discussed with PricewaterhouseCoopers LLP their independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has considered and discussed the compatibility of non-audit services provided by PricewaterhouseCoopers LLP with that firm's independence.

The audit committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations; their evaluations of the Company's internal control, including internal control over financial reporting; and the overall quality of the Company's financial reporting. Additionally, the audit committee meets in separate executive sessions with the Company's Chief Financial Officer and the head of internal audit.

In accordance with SEC rules and PricewaterhouseCoopers LLP policies, lead and concurring audit partners are subject to rotation requirements that limit the number of consecutive years an individual partner may provide services to our Company to a maximum of five years. The selection of the lead audit partner pursuant to this rotation policy involves a meeting between the candidate for the role and the chair of the audit committee, as well as with the full audit committee and members of management.

The audit committee has also evaluated the performance of PricewaterhouseCoopers LLP, including, among other things, the length of time the firm has been engaged; its familiarity with our operations and businesses, accounting policies and practices, and our internal controls over financial reporting; and the appropriateness of fees paid to PricewaterhouseCoopers LLP for audit and non-audit services in 2014, on an absolute basis and as compared to the scope of prior year audits. Information about PricewaterhouseCoopers LLP's fees for 2014 is discussed below in this proxy statement under "Proposal 2 - *Ratification of Appointment of Independent Registered Public Accountants.*" Based on its evaluation, the audit committee has retained PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the 2015 fiscal year.

Based on its review of the financial statements and the aforementioned discussions, the audit committee concluded that it would be reasonable to recommend, and on that basis did recommend, to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 27, 2014.

Respectfully submitted by the Audit Committee,

Andrea Geisser (chairman)
Gail Deegan
Paul J. Kern

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

No portion of this compensation committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

The compensation committee of the board of directors, which is comprised solely of independent directors within the meaning of applicable rules of The NASDAQ Stock Market, Inc., outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, is responsible for developing executive compensation policies and advising the board of directors with respect to such policies and administering the Company's cash incentive, stock option and employee stock purchase plans. The compensation committee sets performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the compensation committee retains the services of a compensation consultant and considers recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The compensation committee assesses the information it receives in accordance with its business judgment. The compensation committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation committee. All decisions regarding chief executive officer and director compensation are reviewed and ratified by the full board. George McNamee, Deborah Ellinger and Ronald Chwang are the current members of the compensation committee.

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the year ended December 27, 2014 with management. In reliance on the reviews and discussions referred to above, the compensation committee recommended to the board of directors, and the board of directors has approved, that the CD&A be included in the proxy statement for the year ended December 27, 2014 for filing with the SEC.

Respectfully submitted by the Compensation Committee,

George C. McNamee (chairman)
Deborah Ellinger
Ronald Chwang

COMPENSATION AND OTHER INFORMATION CONCERNING EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Overview

Our compensation philosophy is based on a desire to balance retention of executive talent with pay for performance incentive compensation, which is designed to reward our named executive officers for continued service and our sustained financial and operating performance. We believe the compensation of our named executive officers should align our executives' interests with those of our stockholders and focus executive behavior on the achievement of both near-term corporate targets as well as long-term business objectives and strategies. It is the responsibility of the compensation committee of our board of directors to administer our compensation practices to ensure they are competitive and include incentives designed to appropriately drive our performance, including revenue, Adjusted EBITDA, and, when appropriate, individual objectives, including business unit contribution margin. Our compensation committee annually reviews and approves elements of executive compensation, including executive officer base salaries, cash incentives and equity awards.

Our performance as a Company in 2014 was excellent. Full year revenue of \$557 million represented an increase of 14% from full year revenue in 2013, and earnings per share of \$1.25 in 2014 increased from earnings per share of \$0.94 in 2013. In particular, our home robot business revenue grew 19% over the prior year, while our defense & security business revenue delivered results consistent with our expectations. In addition, we began selling Ava 500 business collaboration robots in the first half of 2014.

Based on our 2014 performance, our named executive officers achieved and were paid significant short-term incentive cash compensation in 2014, while maintaining a significant portion of their compensation in the form of long-term incentives, a new instrument added to our long-term incentives in 2014. The long-term incentives granted in 2014 included performance-based equity. We believe our compensation philosophies, as described below, have aligned executive compensation with Company performance.

Objectives of Our Compensation Programs

Our compensation programs for our executive officers are designed to achieve the following objectives:

- Provide competitive compensation that attracts, motivates and retains the best talent and the highest caliber executives to help us to achieve our strategic objectives;
- Connect a significant portion of the total potential compensation paid to executives to our annual financial performance;
- Align management's interest with the interests of stockholders through long-term equity incentives; and
- Provide management with performance goals directly linked to our annual longer-term plan for growth and profit.

We believe the compensation of our named executive officers should reflect their success as a management team, rather than as individuals, in attaining key operating objectives, such as improved Adjusted EBITDA performance, improved operating income as a percentage of revenue and revenue growth. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, merger and acquisition expenses, net intellectual property litigation expense, restructuring expense and non-cash stock compensation.

We also believe that the compensation of our named executive officers should not be based on the short-term performance of our stock, whether favorable or unfavorable, but rather that the price of our stock will, in the long-term, reflect our operating performance, and ultimately, the management of the Company by our named executive officers.

Methodologies for Establishing Executive Compensation

The compensation committee, which is comprised entirely of independent directors, reviews the compensation packages for our named executive officers, including an analysis of all elements of compensation separately and in the aggregate. In determining the appropriate compensation levels for our chief executive officer, the compensation committee meets with only itself and the senior vice president, human resources. With respect to the compensation levels of all other named executive officers, the compensation committee meets with our chief executive officer and, as needed, our executive vice president, human resources and corporate communications. Our chief executive officer annually reviews the performance of each of the other named executive officers with the compensation committee.

The compensation committee has engaged an independent compensation consultant to work with them in addition to our human resources department and the chief executive officer to assist us in developing recommendations regarding base salary levels, target incentive awards and actual payouts, performance goals for incentive compensation and equity awards for named executive officers. In conjunction with the annual performance review of each named executive officer in February of each year, the compensation committee carefully considers the recommendations of the chief executive officer when setting base salary,

bonus payments under the prior year's incentive compensation plan, and target amounts and performance goals for the current year's incentive compensation plan. In addition, the compensation committee similarly determines equity incentive awards, if any, for each named executive officer.

Moreover, the compensation committee considers the results of the advisory vote on named executive officer compensation, or the "say on pay" vote, that is completed each year at our annual meeting of stockholders. For compensation determinations made by the compensation committee in February 2014, for example those related to setting base salaries for 2014 and long-term incentive compensation as discussed herein, the compensation committee reviewed and considered the results of the then-most recent say on pay vote in May 2013, which were as follows:

For	11,448,782	59.55%
Against	7,646,078	39.77%
Abstain	129,742	0.68%

Based in part upon the meaningful input from our stockholders, the compensation committee solicited feedback from institutional investors and proxy advisory firms, which resulted in certain changes in short- and long-term compensation.

At the May 2014 annual meeting of stockholders, subsequent to the February 2014 annual determinations of the compensation committee, the results of the say on pay vote held in May 2014 were as follows:

For	16,284,875	89.12%
Against	1,831,432	10.02%
Abstain	156,710	0.86%

As part of ongoing efforts to be responsive to the concerns of our investors regarding our executive compensation programs and to reward outstanding operational and financial performance, the compensation committee will, in consultation with its independent compensation consultant, continue to consider changes to our compensation programs as appropriate in response to input from stockholders and evolving factors such as the business environment and competition for talent.

The compensation committee will continue to consider the outcome of our say on pay votes, regulatory changes and emerging best practices when making future compensation decisions for our named executive officers.

Our compensation plans are developed, in part, by utilizing publicly available compensation data and subscription compensation survey data for national and regional companies in the technology, defense, household durables and robotics industries. We believe that the practices of this group of companies provide us with appropriate compensation benchmarks, because these companies have similar organizational structures and tend to compete with us to attract executives and other employees. For benchmarking executive compensation, we typically review the compensation data for companies with revenues, numbers of employees and market capitalizations similar to our profile.

Compensation Consultant

The compensation committee engaged an independent compensation consultant, Pearl Meyer & Partners, LLC ("PM&P"), to help evaluate peer companies for cash and long-term incentive compensation purposes, analyze applicable compensation data and determine appropriate compensation levels and plan design for our executive officers. PM&P also helps review the peer group annually, provides the compensation committee with up to date information and trends in the marketplace, as well as assists the compensation committee in understanding the Company's alignment of pay and performance. Neither the compensation committee nor the Company has retained PM&P for any other purpose.

Compensation Comparisons

Developing a peer group for compensation comparison purposes is not an easy task for our Company. Each year we watch as industry analysts and proxy advisory firms, who struggle to understand our business, also struggle to find reasonable industry comparisons for compensation peer group purposes. We do not have any “true” robotic comparator companies that are publicly-traded, stand-alone, U.S.-based or size-appropriate. We believe our mix of technology and technology/consumer products peer group firms is appropriate for compensation and performance comparison purposes, but our peer group firms differ substantially from the peer groups used by proxy advisory firms. These firms tend to compare us to organizations in the Consumer Durables industry such as home builders, retailers and furniture distributors/manufacturers (i.e., companies with little to no technology attributes to their respective products). These differences in peer group firms used to determine alignment of pay and performance result in substantial differences in Company performance and how compensation is valued and delivered to executives. Technology and technology/consumer products companies perform and pay differently from home builders, retailers and furniture distributors/manufacturers. The compensation committee takes all of these unique dynamics into account annually when reviewing our peer group firms and our compensation practices.

The following selection criteria, developed in conjunction with the compensation committee, which are thoroughly reviewed and adjusted (as needed), were used to develop the comparative peer group used in assessing the competitiveness of our executive compensation for purposes of fiscal 2014 compensation actions:

- Companies with revenues within a similar range and generally similar market capitalization;
- Companies within comparable industries that focus on high-tech products (e.g., information technology, consumer durables, consumer services, aerospace/defense, capital goods, electronics equipment, instruments and components, healthcare technology, computers and peripherals, networking equipment and computer hardware);
- Companies with highly-engineered products and complex technologies with multiple industry applications;
- Technology companies whose products contain both hardware and software components; and
- Companies with moderate to high sales growth and opportunity.
- Other secondary criteria also considered include:
 - Companies classified as “disruptive innovation;”
 - Companies with products with brand recognition and/or disposable income “luxury” goods; and
 - Companies with moderate margins and levels of research and development expense.

As a result of our selection criteria used for 2014, Leapfrog Enterprises, Inc., SeaChange International, Inc., and Voxx International Corp. were removed from the peer group for 2014, and 3D Systems Corp., Logitech International SA, Maxwell Technologies Inc., and Trimble Navigation Ltd. were added to the 2014 peer group. The resulting peer group consisted of the following 16 companies:

3D Systems Corp.	Mercury Systems, Inc.
Accuray Incorporated	Netgear, Inc.
AeroVironment, Inc.	Orbital Sciences Corporation
American Science and Engineering, Inc.	Plantronics, Inc.
Bruker Corporation	Synaptics Incorporated
Cognex Corporation	Tivo, Inc.
Logitech International SA	Trimble Navigation Ltd..
Maxwell Technologies Inc.	Universal Electronics, Inc.

These 16 companies, at the time of the analysis, had median annual revenues of \$454 million and a median market capitalization of \$1.15 billion, compared to our annual trailing four quarters revenue of \$500 million and market capitalization of \$1.14 billion at the time of the analysis.

We annually reassess the relevance of our peer group and make changes when appropriate. We believe that the use of benchmarking is an important factor in remaining competitive with our peers and furthering our objective of attracting, motivating and retaining highly-qualified personnel.

The compensation committee reviews all components of compensation for named executive officers. In accordance with its charter, the compensation committee also, among other responsibilities, administers our incentive compensation plan, and reviews and makes recommendations to management on company-wide compensation programs and practices. In setting compensation

levels for our executive officers in fiscal 2014, the compensation committee considered many factors in addition to the benchmarking described above, including, but not limited to:

- the scope and strategic impact of the executive officer's responsibilities,
- our past business and segment performance, and future expectations,
- our long-term goals and strategies,
- the performance and experience of each individual,
- past compensation levels of each individual and of the named executive officers as a group,
- relative levels of pay among the executive officers,
- the amount of each component of compensation in the context of the executive officer's total compensation and other benefits,
- for each named executive officer, other than the chief executive officer, the evaluations and recommendations of the chief executive officer, and
- the competitiveness of the compensation packages relative to the selected benchmarks as highlighted by the independent compensation consultant's analysis.

The compensation committee determines compensation for our chief executive officer using the same factors it uses for other executive officers, while placing greater emphasis on performance-based opportunities through long-term equity and short-term cash incentive compensation, which we believe better aligns our chief executive officer's interests with our success and the interests of our stockholders. In assessing the compensation paid to our chief executive officer, the compensation committee relies on both information from our selected benchmarks and its judgment with respect to the factors described above.

Elements of Compensation

Our executive compensation program in 2014 consists of three primary elements: base salary, an annual cash incentive, and long-term equity interests, primarily in the form of stock options, time vesting restricted stock units and performance share units. All of our executive officers also are eligible for certain benefits offered to employees generally, including life, health, disability and dental insurance, as well as participation in our 401(k) plan. We have also entered into executive agreements with our executive officers that provide for certain severance benefits upon termination of employment, including a termination in connection with a change in control of the Company.

Base Salary

In 2014, the compensation committee believes our executive officers, including our chief executive officer, are paid salaries in line with their qualifications, experience and responsibilities. Salaries are structured so they are within the range of salaries paid by the peer companies reviewed by the compensation committee in the technology and robotics industry. We generally aim to set base salaries for each of our executives between the 40th and 60th percentiles in the technology and robotics industry and also take into consideration many additional factors (described below) that we believe enable us to attract, motivate and retain our leadership team in an extremely competitive environment. Salaries are generally reviewed on an annual basis.

The compensation committee reviewed the base salaries for each of our executive officers, taking into account an assessment of the individual's responsibilities, experience, individual performance and contribution to our performance, and also generally takes into account the competitive environment for attracting and retaining executives consistent with our business needs. With respect to each of our executive officers, other than Mr. Angle, Mr. Angle provided a detailed evaluation and recommendation related to base salary adjustments, if any.

We believe the base salaries paid to our executive officers during our fiscal year 2014 helped to achieve our executive compensation objectives. In addition, we believe that the base salaries of our named executive officers, which range from 19% to 36% as a percentage of total compensation, are set at an appropriate level to keep a significant portion of executive compensation at risk as part of our compensation philosophy.

In February 2015, and as part of the annual review process while taking into account the considerations discussed above, the compensation committee also approved base salary adjustments for 2015 also noted in the table below.

	2013 Base Salary	% Increase	2014 Base Salary	% Increase	2015 Base Salary
Colin M. Angle	\$625,000	4.0%	\$650,000	3.8%	\$675,000
Alison Dean	\$325,000	23.1%	\$400,000	7.5%	\$430,000
Russell J. Campanello	\$325,000	—%	\$325,000	4.6%	\$340,000
Christian Cerda			\$350,000	14.3%	\$400,000
Paolo Pirjanian	\$325,000	7.7%	\$350,000	7.1%	\$375,000

In August 2014, Mr. Cerda was appointed as Senior Vice President and General Manager, Home Robots Business Unit, and took on additional responsibilities related to overall management of the Company. His base salary was increased from \$335,000 to \$350,000 at that time. In February 2015, during its annual review of executive compensation, the compensation committee increased Mr. Cerda's base salary to \$400,000 based on market competitive compensation levels, which reflected his 2014 base salary as trailing the Company's compensation positioning targets.

Cash Incentive Compensation

The compensation committee believes that a portion of overall short-term cash compensation for executive officers should be contingent upon successful achievement of significant financial and business objectives and implementation of our business strategy. For our named executive officers, including our chief executive officer, the granting of cash incentive payments is based on an evaluation of achievement against predetermined financial and operational metrics in accordance with our Senior Executive Incentive Compensation Plan that was adopted by the compensation committee. For each named executive officer, 100% of his or her target cash incentive compensation in 2014 was tied to key financial and operating performance measures. Target cash incentives for named executive officers are generally targeted between the 40th and 60th percentiles of similar cash incentives provided to officers in peer companies reviewed by the compensation committee in the technology and robotics industries. The amount of cash incentives paid to the named executive officers, however, is subject to the assessment of the compensation committee of our performance in general and the achievement of specific goals.

For fiscal 2014, the target bonus awards under our Senior Executive Incentive Compensation Plan for each of our named executive officers, as a percentage of base salary earned during the fiscal year, are summarized in the table below. These target bonus amounts were set at levels the compensation committee determined were appropriate in order to achieve our objective of retaining those executives who perform at or above the levels necessary for us to achieve our business plan, which, among other things, involved growing our Company in a cost-effective way.

	Incentive Bonus Award Opportunity Payout Scale (% of base salary)		
	Threshold (25% of target opportunity) (1)	Target (100%)	Maximum (195% of target opportunity) (2)
Colin M. Angle	25.00%	100%	195.00%
Alison Dean	15.63%	62.5%	121.88%
Russell J. Campanello	15.00%	60%	117.00%
Christian Cerda	12.50%	50%	97.50%
Paolo Pirjanian	15.00%	60%	117.00%

- (1) Cash incentive payments are made only after the Company has achieved specified Adjusted EBITDA, excluding cash incentive compensation expense.
- (2) This reflects the maximum incentive cash payout levels established under our Senior Executive Incentive Compensation Plan for 2014 based on the specific targets established for fiscal 2014.

For 2015, Ms. Dean's target bonus award was increased to 75% of her base salary. The target bonus awards for the other named executive officers remained the same for fiscal 2015.

While the Senior Executive Incentive Compensation Plan is designed to provide short-term cash incentive payments based upon objectively determinable formulas that tie cash incentive payments to specific financial goals and strategic milestones, the compensation committee retains the discretion to adjust cash incentive payments under the Senior Executive Incentive Compensation Plan based upon additional factors.

The following tables summarize the 2014 performance measures, associated weightings and goals for each of the named executive officers under the Senior Executive Incentive Compensation Plan. As discussed previously, the payout opportunity ranges from 25% of the target incentive opportunity for achieving threshold level of performance to 195% of the target incentive opportunity for achieving maximum level of performance.

For Mr. Angle, Mr. Campanello, Dr. Pirjanian and Ms. Dean, the Senior Executive Incentive Compensation Plan targets for 2014 were:

Performance Measure	Weighting	Performance Goal		
		Threshold	Target	Maximum
Adjusted EBITDA, excluding cash incentive compensation expense	50%	\$81.6 million	\$90.7 million	\$117.9 million
Revenue	50%	\$518.0 million	\$575.5 million	\$748.2 million

For Mr. Cerda, whose responsibilities are more focused on results from our Home Robots business unit, the Senior Executive Incentive Compensation Plan targets for 2014 were:

Performance Measure	Weighting	Performance Goal		
		Threshold	Target	Maximum
Adjusted EBITDA, excluding cash incentive compensation expense	37.5%	\$81.6 million	\$90.7 million	\$117.9 million
Home Robots Business Unit Revenue	62.5%	\$462.6 million	\$514.0 million	\$668.2 million

The compensation committee chose this mix of financial targets for cash incentive compensation because it believes that executive officers should be focused on a small set of critical, team-based financial and operating metrics that reinforce the executive's role and impact and company business strategy. Also, the compensation committee established a hurdle where the available total incentive compensation payout for the entire employee base -- including the named executive officers -- would be reduced on a dollar-for-dollar basis if Adjusted EBITDA, excluding cash incentive compensation expense, fell below \$81.6 million.

The following table shows our achievement against the various metrics used for calculating the 2014 cash incentive compensation for our named executive officers:

Metric	Performance Goal			2014 Actual Performance	Actual Percentage Earned (as % of target)
	Threshold	Target (100%)	Maximum		
\$ in millions					
Adjusted EBITDA, excluding cash incentive compensation expense	\$81.6	\$90.7	\$117.9	\$88.2	86%
Company Revenue	\$518.0	\$575.5	\$748.2	\$556.8	84%
Home Robots Revenue	\$462.6	\$514.0	\$668.2	\$507.4	94%

Based on our achievement of the performance metrics set forth above, the following cash awards were made to the named executive officers for performance in fiscal 2014 pursuant to our Senior Executive Incentive Compensation Plan:

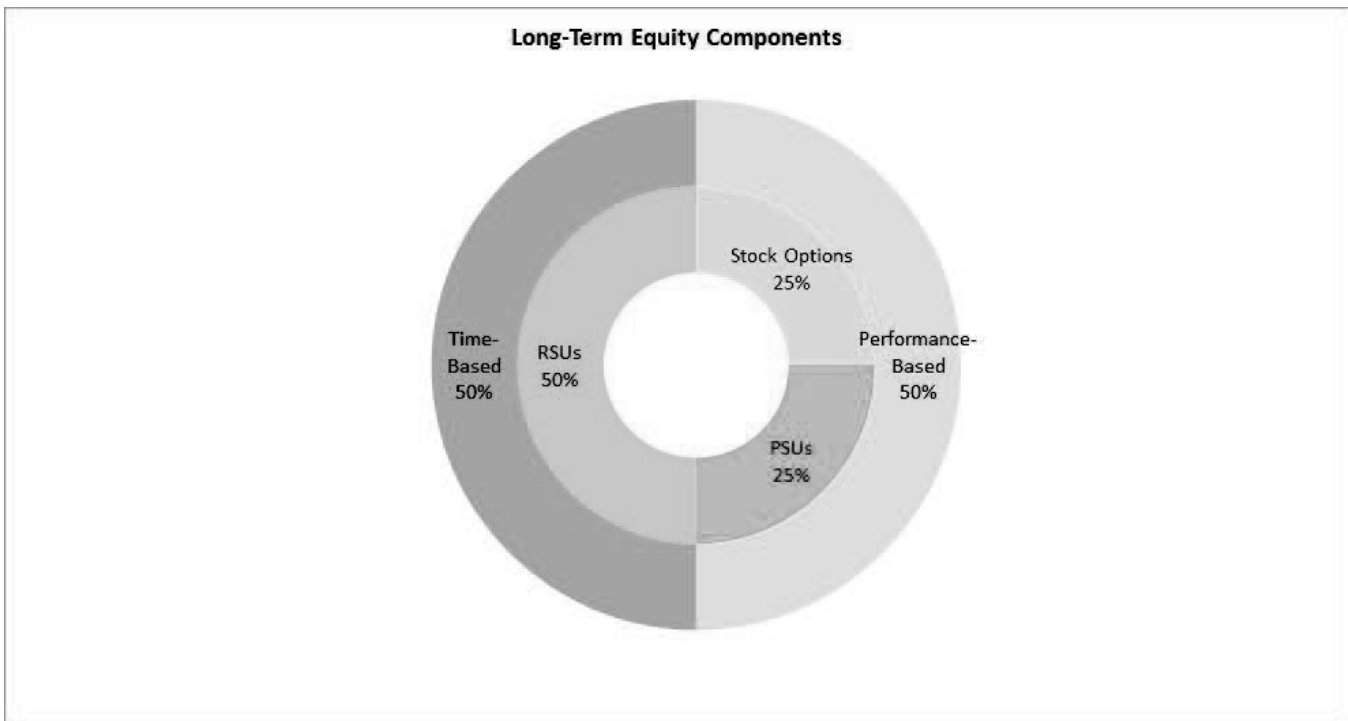
	Incentive Bonus Award		
	Original Target Incentive Opportunity	Achievement	ICP Earned & Paid
Colin M. Angle	\$650,000	85%	\$552,500
Alison Dean	\$250,000	85%	\$212,500
Russell J. Campanello	\$195,000	85%	\$165,750
Christian Cerda	\$175,000	91%	\$159,250
Paolo Pirjanian	\$210,000	85%	\$178,500

Long-Term Incentives

Executive officers (and other employees) are eligible to receive restricted stock, stock option grants, restricted stock units and other stock awards that are intended to promote success by aligning employee financial interests with long-term stockholder value. Long-term incentives are awarded based on various factors primarily relating to the responsibilities of the individual officer or employee, his or her past performance, anticipated future contributions, prior grants and Company performance. In general, our compensation committee bases its decisions to grant long-term incentives on recommendations of our chief executive officer and the compensation committee's analysis of peer group and industry compensation information, with the intention of keeping the executives' overall compensation at a competitive level with the comparator companies reviewed by the compensation committee in the technology and robotics industries. Our compensation committee also takes into consideration the number of shares of common stock outstanding, the number of shares of common stock authorized for issuance under our equity compensation plans, the number of options and other equity awards held by the executive officer for whom an award is being considered and other elements of the officer's compensation, as well as our compensation objectives and policies described above when reviewing the long-term incentive program.

Consistent with the feedback we received from our stockholders, in 2014, we introduced a significant change to our long-term incentive program through the introduction of performance-based equity awards. In March 2014, we made the initial equity grants (stock options and restricted stock unit awards) under this new program, immediately following our 2013 annual performance review cycle, consistent with the Company's historical annual grant timing.

In March 2014, we granted our first award of performance share units using a mix of 25% stock options, 50% restricted stock unit and 25% performance share units to our named executive officers. The compensation committee believes a mix in our long-term equity awards between stock options, restricted stock units and performance share units aligns the incentives of our executives with the interests of our stockholders and the long-term performance of the Company by directly tying a significant portion of the value that may be realized from our equity compensation to an increase in our stock price.



Mr. Cerda, who was not an executive officer at the time of the March 2014 equity grants, did not receive PSUs, but he will in 2015.

The compensation committee expects the mix of long-term equity vehicles to evolve, as needed, in coming years to continue to best align and support our longer-term business strategy.

The Company's and compensation committee's goals for selecting metrics for the PSU component of the long-term incentive program include:

- Alignment with business strategy;
- Alignment with stockholder interest in improving long-term business fundamentals;
- Correlation with total stockholder return; and
- Complementary to our short-term incentive metrics.

After a thoughtful process and consideration of various metrics, the compensation committee determined that operating income percent (with a threshold requirement for a minimum amount of revenue growth) was the optimal initial metric for our performance share unit component. We believe operating income percent is an excellent measure of the underlying profitability of the enterprise and it has historical correlation with total stockholder return. Operating income percent is also a regularly reported financial measure, is understood by our investor base, and can be reasonably forecasted over the relevant performance period. We believe operating income percent in our long-term incentives coupled with the revenue component of our short-term incentives provides strong executive focus on important short- and long-term business drivers.

While this single metric was chosen for the initial implementation of the new performance share unit component in 2014, in future years, other metrics may be selected to further optimize and align the incentives of management with our business strategy.

For the PSUs granted in 2014, the number of shares actually earned at the end of the three year period will range from 0% to 100% of the target number of PSUs granted based on the Company's performance against three year operating income goals. In addition, while all vesting of earned PSUs occurs on the third anniversary of the date of grant, achievement of cumulative intermediate targets for 2014, 2015 and/or 2016 will allow PSUs to be deemed earned but not yet vested for the intermediate periods. Achievement of the cumulative target will allow all shares subject to the PSUs to be earned regardless of the achievement of the intermediate 2014, 2015 and 2016 targets.

Unvested awards are not eligible to receive any dividends or voting rights until the point at which any shares are earned and vested.

The following table outlines the threshold, target and maximum 3 year performance goals for our new PSU plan for the 2014-2016 cycle.

2014 - 2016 PSU Performance Cycle	Operating Income Percent			Actual Performance Achieved	Actual Payout Level Achieved
	Threshold	Target	Maximum		
2014	8.0%	8.0%	8.0%	9.5%	100%
2015	9.0%	9.0%	9.0%	—%	—%
2016	10.0%	10.0%	10.0%	—%	—%
Cumulative	9.1%	9.1%	9.1%	—%	—%

For 2014, one-third of the awarded PSUs were deemed earned if the Company achieved a minimum 8.0% operating income as a percentage of revenue and at least \$545 million in total revenue. In 2014, the Company achieved 9.5% in operating income as a percentage of revenue and \$557 million in revenue. Accordingly, one-third of the total number of PSUs awarded were earned but have not yet vested. Specifically, the named-executive officers earned the following restricted share units with respect to 2014:

	2014-2016 PSUs Granted & Earned				Total PSUs Earned to Date
	PSUs Granted	2014 Earned PSUs (1)	2015 Earned PSUs (1)	2016 Earned PSUs	
Colin M. Angle	13,550	4,516	—	—	4,516
Alison Dean	4,467	1,489	—	—	1,489
Russell J. Campanello	4,308	1,436	—	—	1,436
Paolo Pirjanian	4,925	1,641	—	—	1,641

Also, the Company determines the value of its annual equity awards early in the year (usually in March). Annual awards are sized relative to Company and individual performance for the prior year as is a typical practice for many companies. By granting

our annual awards at the beginning of each year and using the prior year's performance to size our awards, there could be a possible disconnect with our awards relative to our performance in the year of grant.

Other Benefits and Perquisites

We also have various broad-based employee benefit plans. Our executive officers participate in these plans on the same terms as other eligible employees, subject to any legal limits on the amounts that may be contributed by or paid to executive officers under these plans. We offer a 401(k) plan, which allows our employees to invest in a wide array of funds on a pre-tax basis. We do not provide pension arrangements or post-retirement health coverage for our named executive officers or other employees. We also maintain insurance and other benefit plans for our employees. We offer no perquisites that are not otherwise available to all of our employees.

Stock Ownership Guidelines

We introduced equity ownership guidelines in 2011 to further align the interests of our senior management and directors with those of our stockholders. Under the guidelines, executives are expected to hold common stock in an amount equal to a multiple of their base salary as determined by their position. The guidelines range from two times base salary to six times base salary for our chief executive officer. In addition, under the guidelines, our directors are expected to hold common stock in an amount equal to six times their current board retainer fee. For purposes of these guidelines, stock ownership includes shares for which the executive or director has direct or indirect ownership or control, including restricted stock and in-the-money vested stock options, but does not include unvested restricted stock units or unvested stock options. Executives and directors are expected to meet their ownership guidelines within five years of becoming subject to the guidelines. All executives and directors are currently meeting or are working to achieve these guidelines within the five year time period.

Hedging/Pledging Policy

Since 2005, we have had a written insider trading policy that prohibits holding Company securities as collateral in a margin account, any hedging transactions and prohibits pledging of Company securities as collateral for a loan unless the pledge has been approved by the compensation committee of the board of directors. To date, no such approval has been requested or given.

Executive Agreements

We have entered into executive agreements with each of our named executive officers. The executive agreements provide for severance payments equal to 50% of such officer's annual base salary at the highest annualized rate in effect during the one-year period immediately prior to termination, payable in six equal monthly installments, as well as monthly premium payments for continued health, dental and vision benefits for up to six months following termination, in the event that we terminate his or her employment other than for cause, as defined in the executive agreements. In addition, these executive agreements provide that if we experience a change in control, as defined in the executive agreements, and the employment of such officer is terminated by the Company without cause at any time within the period beginning on the date that is 45 days prior to the date of the public announcement of the execution of a definitive agreement for a change in control and ending on the first anniversary of the effective date of the change in control, or if such officer terminates his or her employment for good reason, as defined in the executive agreements, during the one-year period following the change in control, then all unvested equity held by such officer becomes fully-vested and immediately exercisable and such officer is entitled to severance payments equal to 200% of his or her annual base salary, at the highest annualized rate in effect during the period immediately prior to the effective date of the change in control and the date of termination of employment, and 200% of such officer's highest target cash incentive with respect to the year prior to the year in which the change in control occurred and ending in the year in which the officer's employment is terminated, each payable in 24 equal monthly installments, as well as monthly premium payments for continued health, dental and vision benefits for up to 24 months following termination. There are no tax gross-up payables under the executive agreements.

It is the belief of the compensation committee that these provisions are consistent with executive severance arrangements that are customary for public companies at our stage of development and are necessary in order to hire and/or retain our key talent.

Clawback

In 2015, the Company adopted a clawback policy that provides the board of directors has discretion to reduce the amount of future compensation payable to an executive of the Company for excess proceeds from incentive compensation received by such executive due to a material restatement of financial statements. The clawback period is the three-year period following the filing of any such restated financial statements with the Securities and Exchange Commission (the “SEC”).

Tax Deductibility of Executive Compensation

In general, under Section 162(m) of the Code, we cannot deduct, for federal income tax purposes, compensation in excess of \$1,000,000 paid to certain executive officers. This deduction limitation does not apply, however, to compensation that constitutes “qualified performance-based compensation” within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. We have considered the limitations on deductions imposed by Section 162(m) of the Code and it is our present intention, for so long as it is consistent with our overall compensation objective, to structure executive compensation to minimize application of the deduction limitations of Section 162(m) of the Code, while also maintaining the flexibility to pay compensation that is subject to the deduction limitations imposed by Section 162(m) of the Code.

Risk Oversight of Compensation Programs

The compensation committee annually reviews and believes our compensation program for executive officers is not structured to be reasonably likely to present a material adverse risk to us based on the following factors:

- Our compensation program for executive officers is designed to provide a balanced mix of cash and equity and annual and longer-term incentives, including compensation based on the achievement of performance targets.
- The base salary portion of compensation is designed to provide a steady income regardless of our stock price performance so executives do not feel pressured to focus primarily on stock price performance to the detriment of other important business metrics.
- Our stock option grants and restricted stock unit grants generally vest over four years and, in the case of stock options, are only valuable if our stock price increases over time.
- Our performance share units vest only after the achievement of significant long-term metrics designed to drive the long-term interests of our stockholders.
- Performance share unit awards align the interests of our executive officers with the success of our business strategy.
- Maximum payout levels for cash incentive compensation are capped.
- Our stock ownership guidelines align the interests of our executive officers with those of our stockholders.

Compensation Consultant Independence

Pursuant to its charter, the compensation committee has the sole authority to retain, terminate, obtain advice from, oversee and compensate its outside advisors, including its compensation consultant.

In 2013 in preparation for the 2014 fiscal year, the compensation committee retained PM&P as its independent executive compensation consultant. None of our management team participated in the compensation committee's decision to retain PM&P. PM&P reports directly to the compensation committee, and the compensation committee may replace PM&P or hire additional consultants at any time. PM&P attends meetings of the compensation committee, as requested, and communicates with the chairman of the compensation committee between meetings; however, the committee makes all decisions regarding the compensation of the Company's executive officers.

PM&P provides various executive compensation services to the compensation committee with respect to our executive officers and other key employees at the compensation committee's request. The services PM&P provides include advising the compensation committee on the principal aspects of the executive compensation program and evolving best practices, and providing market information and analysis regarding the competitiveness of our program design and awards in relationship to our performance.

The compensation committee reviews the services provided by its outside consultants and believes PM&P is independent in providing executive compensation consulting services. The compensation committee conducted a specific review of its relationship with PM&P in 2014, and determined PM&P's work for the compensation committee did not raise any conflicts of interest, consistent with the guidance provided under the Dodd-Frank Act and by the SEC and NASDAQ. In making this determination, the compensation committee noted the following during 2014:

- PM&P did not provide any services to us or our management other than service to the compensation committee (including compensation benchmarking for our senior leadership team), and its services were limited to executive compensation consulting.
- Fees paid by us to PM&P represented 0.1% of PM&P's total revenue for the period December 2013 through December 2014;
- PM&P maintains a Conflicts Policy and an Insider Trading Policy which were provided to the compensation committee with specific policies and procedures designed to ensure independence;
- None of the PM&P consultants on our account had any business or personal relationship with our compensation committee members;
- None of the PM&P consultants on our account, or PM&P, had any business or personal relationship with our executive officers; and
- None of the PM&P consultants on our account directly own shares of our stock.

The compensation committee continues to monitor the independence of its compensation consultant on a periodic basis.

Executive Compensation Summary

The following table sets forth summary compensation information for our chief executive officer, chief financial officer and the three other most highly compensated executive officers:

SUMMARY COMPENSATION TABLE - 2014

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Colin M. Angle	2014	646,154	—	1,762,178	589,970	552,500	7,800	3,558,602
Chairman, Chief Executive Officer and Director	2013	613,462	—	1,514,475	379,237	981,250	7,650	3,496,074
	2012	525,000	105,000	2,160,438	535,742	—	7,500	3,333,680
Alison Dean								
Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer	2014	388,462	—	580,890	194,546	212,500	7,800	1,384,198
	2013	308,838	—	721,142	179,783	306,150	7,650	1,523,563
Russell J. Campanello	2014	325,000	—	560,299	187,841	165,750	7,800	1,246,690
Executive Vice President, Human Resources and Corporate Communications	2013	322,115	—	270,319	67,618	306,150	7,650	973,852
	2012	300,000	82,000	557,060	72,176	—	7,500	1,018,736
Christian Cerda	2014	335,385	—	360,889	120,563	159,250	7,800	983,887
Executive Vice President and General Manager, Home Robots Business Unit								
Paolo Pirjanian	2014	346,154	—	640,496	214,660	178,500	7,800	1,387,610
Executive Vice President, Chief Technology Officer	2013	319,606	—	270,319	67,618	306,150	7,650	971,343

-
- (1) Represents salary earned in the fiscal years presented, which covered 52 weeks for fiscal years 2014, 2013 and 2012.
- (2) Represents the aggregate grant date fair value for stock and option awards granted in the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, as appropriate, in accordance with FASB ASC Topic 718. See the information appearing in note 9 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the fiscal year ended December 27, 2014 for certain assumptions made in the valuation of stock and option awards.
- (3) Represents amounts paid in 2014 under the Company's Senior Executive Incentive Compensation Plan for performance in the fiscal year ended December 27, 2014.
- (4) Includes 401(k) matching contributions for each of our named executive officers. Excludes medical, group life insurance and certain other benefits received by the named executive officers that are available generally to all of our salaried employees and certain perquisites and other personal benefits received by the named executive officers which do not exceed \$10,000 in the aggregate.

Grants of Plan-Based Awards in 2014

The following table sets forth, for each of the named executive officers, information about grants of plan-based awards during fiscal year 2014:

GRANTS OF PLAN-BASED AWARDS — 2014

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
Colin M. Angle	—	162,500	650,000	1,267,500	—	—	—	—	—	—	—
	3/7/2014	—	—	—	—	587,393	587,393	—	—	—	—
	3/7/2014	—	—	—	—	—	—	27,100	—	—	1,174,785
	3/7/2014	—	—	—	—	—	—	—	15,475	43.35	297,445
	6/6/2014	—	—	—	—	—	—	—	19,700	35.43	292,525
Alison Dean	—	62,500	250,000	487,500	—	—	—	—	—	—	—
	3/7/2014	—	—	—	—	193,644	193,644	—	—	—	—
	3/7/2014	—	—	—	—	—	—	8,933	—	—	387,246
	3/7/2014	—	—	—	—	—	—	—	5,100	43.35	98,027
	6/6/2014	—	—	—	—	—	—	—	6,500	35.43	96,519
Russell J. Campanello	—	48,750	195,000	380,250	—	—	—	—	—	—	—
	3/7/2014	—	—	—	—	186,752	186,752	—	—	—	—
	3/7/2014	—	—	—	—	—	—	8,617	—	—	373,547
	3/7/2014	—	—	—	—	—	—	—	4,925	43.35	94,663
	6/6/2014	—	—	—	—	—	—	—	6,275	35.43	93,177
Christian D. Cerda	—	43,750	175,000	341,250	—	—	—	—	—	—	—
	3/7/2014	—	—	—	—	—	—	8,325	—	—	360,889
	3/7/2014	—	—	—	—	—	—	—	3,163	43.35	60,796
	6/6/2014	—	—	—	—	—	—	—	4,025	35.43	59,767
Paolo Pirjanian	—	52,500	210,000	409,500	—	—	—	—	—	—	—
	3/7/2014	—	—	—	—	213,499	213,499	—	—	—	—
	3/7/2014	—	—	—	—	—	—	9,850	—	—	426,998
	3/7/2014	—	—	—	—	—	—	—	5,625	43.35	108,118
	6/6/2014	—	—	—	—	—	—	—	7,175	35.43	106,542

- (1) This reflects the threshold, target and maximum incentive cash payout levels established under our Senior Executive Incentive Compensation Plan. The actual amounts paid for fiscal year 2014 are disclosed in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.
- (2) This reflects the threshold, target and maximum equity incentive payout levels associated with performance share units made pursuant to our 2005 Stock Option and Incentive Plan, as amended (the "2005 Plan"), which amounts will be payable in shares of our common stock, if the performance thresholds are met under the terms of the awards
- (3) All stock awards and option awards were made pursuant to the 2005 Plan.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth, for each of the named executive officers, information about unexercised option awards and other unvested equity awards that were held as of December 27, 2014.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END — 2014

Name	Grant Date	Option Awards				Stock Awards				
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (4)	Equity Incentive Plan Awards; Payout or Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (3)	
Colin M. Angle	2/20/2009	73,829	—	7.76	2/20/2016	—	—	—	—	
	4/2/2010	113,950	—	14.52	4/2/2017	—	—	—	—	
	4/1/2011	39,550	5,650	33.48	4/1/2018	5,700	198,417	—	—	
	3/9/2012	28,068	12,757	26.59	3/9/2019	40,624	1,414,121	—	—	
	3/8/2013	15,827	20,348	22.86	3/8/2020	49,687	1,729,604	—	—	
	3/7/2014	—	15,475	43.35	3/7/2021	27,100	943,351	13,550	471,676	
	6/6/2014	—	19,700	35.43	6/6/2021	—	—	—	—	
Alison Dean	7/25/2008	1,873	—	14.09	7/25/2015	—	—	—	—	
	4/2/2010	11,000	—	14.52	4/2/2017	—	—	—	—	
	4/1/2011	6,454	921	33.48	4/1/2018	931	32,408	—	—	
	3/9/2012	3,249	1,476	26.59	3/9/2019	4,700	163,607	—	—	
	3/8/2013	2,177	2,798	22.86	3/8/2020	6,825	237,578	—	—	
	6/7/2013	3,179	5,296	34.67	6/7/2020	11,100	386,391	—	—	
	3/7/2014	—	5,100	43.35	3/7/2021	8,933	310,958	4,467	155,496	
6/6/2014	—	6,500	35.43	6/6/2021	—	—	—	—		
Russell J. Campanello	12/30/2010	33,750	6,250	24.53	12/30/2017	8,750	304,588	—	—	
	3/9/2012	3,781	1,719	26.59	3/9/2019	10,474	364,600	—	—	
	3/8/2013	2,823	3,627	22.86	3/8/2020	8,868	308,695	—	—	
	3/7/2014	—	4,925	43.35	3/7/2021	8,617	299,958	4,308	149,961	
	6/6/2014	—	6,275	35.43	6/6/2021	—	—	—	—	
Christian D. Cerda	3/8/2013	26,250	33,750	22.86	3/8/2020	22,500	783,225	—	—	
	3/7/2014	—	3,163	43.35	3/7/2021	8,325	289,793	—	—	
	6/6/2014	—	4,025	35.43	6/6/2021	—	—	—	—	
Paolo Pirjanian	10/1/2012	(5)	16,751	10,548	4.81	6/11/2022	—	—	—	
	10/1/2012	(5)	3,834	—	3.54	5/6/2021	—	—	—	
	12/7/2012		29,500	50,000	18.47	12/7/2019	15,000	522,150	—	
	3/8/2013		2,017	3,627	22.86	3/8/2020	8,868	308,695	—	
	3/7/2014		—	5,625	43.35	3/7/2021	9,850	342,879	4,925	171,439
	6/6/2014		—	7,175	35.43	6/6/2021	—	—	—	—

- (1) Stock option grants vest over a four-year period, at a rate of twenty-five percent (25%) on the first anniversary of the grant, and the remainder in equal quarterly installments thereafter.
- (2) Restricted stock unit awards vest over a four-year period, at a rate of twenty-five percent (25%) on each anniversary of the grant.
- (3) Amounts disclosed in this column were calculated based on the fair market value of our common stock as of December 27, 2014.
- (4) Performance stock unit awards are earned over a three-year period and vest at the end of such three-year period, dependent on achievement of pre-established performance goals and objectives. For additional information on the performance stock unit awards see the section above entitled “ Compensation Discussion and Analysis - Elements of Compensation - Long-Term Incentives.”
- (5) The stock options granted to Dr. Pirjanian on October 1, 2012 were granted as replacement awards for unvested stock options that Dr. Pirjanian held in Evolution Robotics, Inc. as of the date that the Company acquired Evolution Robotics, Inc.

Option Exercises and Stock Vested

The following table sets forth, for each of the named executive officers, information with respect to the exercise of stock options and the vesting of restricted stock unit awards during the year ended December 27, 2014.

OPTION EXERCISES AND STOCK VESTED — 2014

Name	Option Awards		Stock Awards	
	Shares Acquired on Exercise(#)	Value Realized on Exercise(\$) (1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting(\$) (2)
Colin M. Angle	47,333	1,032,279	50,138	2,157,317
Alison Dean	18,970	481,229	9,981	406,909
Russell J. Campanello	20,000	259,400	16,945	664,342
Christian D. Cerda	—	—	7,500	324,600
Paolo Pirjanian	21,306	484,123	10,457	392,054

- (1) Amounts disclosed in this column were calculated based on the difference between the fair market value of our common stock on the date of exercise and the exercise price of the options in accordance with regulations promulgated under the Exchange Act.
- (2) Amounts disclosed in this column were calculated based on the fair market value of the shares on the date of settlement upon vesting.

Potential Benefits Upon Termination or Change in Control

Severance and Change in Control Arrangements in General

The Company has entered into executive agreements with each of the named executive officers, the terms of which are described in the “Compensation Discussion and Analysis” section above.

Cash Payments and/or Acceleration of Vesting Following Certain Termination Events

Assuming the employment of our named executive officers was terminated without cause (not in connection with a change in control) on December 27, 2014, our named executive officers would be entitled to cash payments in the amounts set forth opposite their names in the table below, subject to any deferrals required under Section 409A of the Code.

Name	Base Salary (\$)	Continuation of Health Plan Premium Payments (\$)	Total (\$)
Colin Angle	325,000	10,023	335,023
Alison Dean	200,000	8,947	208,947
Russ Campanello	162,500	10,023	172,523
Christian Cerda	175,000	10,023	185,023
Paolo Pirjanian	175,000	10,023	185,023

Assuming the employment of our named executive officers was terminated by the Company without cause during the period beginning on the date that is 45 days prior to the date of the public announcement of the execution of a definitive agreement for a change in control and ending on the first anniversary of the effective date of the change in control, or such officers resigned with good reason during the one-year period following a change in control and that such termination or resignation occurred on December 27, 2014, our named executive officers would be entitled to cash payments in the amounts set forth opposite their names in the below table, subject to any deferrals required under Section 409A of the Code, and acceleration of vesting as set forth in the table below. The total amount payable to each executive officer is subject to reduction in certain circumstances if the amount would cause the executive officer to incur an excise tax under Section 4999 of the Code. The following table provides the market value (that is, the value based upon our stock price on December 27, 2014, minus the exercise price) of stock options and restricted stock units that would become exercisable or vested as a result of these acceleration events as of December 27, 2014.

Name	Base Salary (\$)	Bonus (\$)	Continuation of Health Plan Premium Payments (\$)	Market Value of Stock Options (\$)	Market Value of Restricted Stock and Restricted Stock Units (\$)	Total (\$)
Colin Angle	1,300,000	1,300,000	40,090	355,536	4,442,696	7,438,322
Alison Dean	800,000	500,000	35,789	47,535	1,182,774	2,566,098
Russ Campanello	650,000	390,000	40,090	121,723	1,327,827	2,529,640
Christian Cerda	700,000	350,000	40,090	403,313	1,073,018	2,566,421
Paolo Pirjanian	700,000	420,000	40,090	1,176,783	1,230,847	3,567,720

Director Compensation

In connection with our efforts to attract and retain highly-qualified individuals to serve on our board of directors, we maintain a cash and equity compensation policy for our non-employee members of our board of directors. Through the third quarter of 2014, each of our non-employee members of our board of directors was entitled to the following cash compensation:

Annual retainer for Board membership	\$35,000
Annual retainer for lead independent director	\$7,000
Audit Committee	
Annual retainer for committee membership	\$10,000
Additional retainer for committee chair	\$10,000
Compensation Committee	
Annual retainer for committee membership	\$7,500
Additional retainer for committee chair	\$7,500
Nominating and Corporate Governance Committee	
Annual retainer for committee membership	\$5,000
Additional retainer for committee chair	\$5,000

After an analysis of director compensation at peer companies performed by PM&P during 2014 that placed our total annual compensation for directors at the 35th percentile within our peer group, on the recommendation of the compensation committee, the board of directors increased the annual board retainer to \$50,000 and the lead independent director retainer to \$10,000. These increases in cash compensation were effective beginning for the fourth quarter of 2014.

Pursuant to our Non-employee Directors' Deferred Compensation Program, each non-employee director may elect in advance to defer the receipt of these cash fees. During the deferral period, the cash fees will be deemed invested in stock units. The deferred compensation will be settled in shares of our common stock upon the termination of service of the director or such other time as may have been previously elected by the director. The shares will be issued from our 2005 Plan or a subsequent stock option and incentive plan approved by our stockholders.

In 2014, each of our non-employee members of our board of directors was entitled to the following equity compensation under our 2005 Plan:

Upon initial election to the board of directors, a non-employee director receives a one-time grant of restricted stock units having a fair market value of \$220,000, measured at the end of the tenth week of the fiscal quarter in which the director was elected, which vests over a four-year period at a rate of twenty-five percent (25%) on each of the first four anniversaries of the grant.

At the end of the tenth week of the fiscal quarter in which our annual meeting of stockholders occurs, each non-employee director receives a grant of restricted stock units having a fair market value of \$110,000, which vests on the earlier of the date of the first anniversary of such grant or the date of the first annual meeting of stockholders following the date of grant.

All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors.

The following table provides compensation information for the fiscal year ended December 27, 2014 for each non-employee member of our board of directors. No member of our board of directors employed by us receives separate compensation for services rendered as a member of our board of directors.

DIRECTOR COMPENSATION TABLE — 2014

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(3)	Total (\$)
Ronald Chwang, Ph.D.	46,250	114,899	161,149
Gail Deegan	48,750	114,899	163,649
Deborah G. Ellinger	46,250	114,899	161,149
Jacques S. Gansler, Ph.D. (1)	20,000	—	20,000
Andrea Geisser	58,750	114,899	173,649
Paul J. Kern, Gen. U.S. Army (ret.)	48,750	114,899	163,649
George C. McNamee	66,500	114,899	181,399
Paul L. Sagan (2)	48,750	114,899	163,649
Michelle V. Stacy	21,250	219,980	241,230

- (1) Mr. Gansler did not stand for re-election at the 2014 annual meeting of stockholders.
- (2) Mr. Sagan deferred all of his 2014 cash compensation pursuant to our Non-employee Directors' Deferred Compensation Program under which he received stock units in lieu of cash.
- (3) Represents the grant date fair value of restricted stock units awarded in the fiscal year ended December 27, 2014 in accordance with FASB ASC Topic 718. The grant date fair value is the fair market value of our common stock on the date of grant multiplied by the number of shares of common stock underlying such restricted stock unit award.

The non-employee members of our board of directors who held such position on December 27, 2014 held the following aggregate number of unexercised options and unvested restricted stock units as of such date:

Name	Number of Securities Underlying Unexercised Options	Number of Unvested Restricted Stock Units
Ronald Chwang, Ph.D.	30,000	3,243
Gail Deegan	—	4,772
Deborah G. Ellinger	—	6,927
Andrea Geisser	40,000	3,243
Paul J. Kern, Gen. U.S. Army (ret.)	60,000	3,243
George C. McNamee	70,000	3,243
Paul L. Sagan	2,500	3,243
Michelle V. Stacy	—	6,608

Transactions with Related Persons

Other than compensation agreements and other arrangements which are described in “Compensation Discussion and Analysis,” in 2014, there was no transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

Our board of directors has adopted a written related party transaction approval policy, which sets forth our policies and procedures for the review, approval or ratification of any transaction required to be reported in our filings with the Securities and Exchange Commission. Our policy with regard to related party transactions is that all related party transactions are to be reviewed by our general counsel, who will determine whether the contemplated transaction or arrangement requires the approval of the board of directors, the nominating and corporate governance committee, both or neither.

PROPOSAL 2
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS

The audit committee of the board of directors has retained the firm of PricewaterhouseCoopers LLP, independent registered public accountants, to serve as independent registered public accountants for our 2015 fiscal year. PricewaterhouseCoopers LLP has served as our independent registered public accounting firm since 1999. The audit committee reviewed and discussed its selection of, and the performance of, PricewaterhouseCoopers LLP for our 2014 fiscal year. As a matter of good corporate governance, the audit committee has determined to submit its selection to stockholders for ratification. If the selection of independent registered public accountants is ratified, the audit committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

The audit committee of the board of directors has implemented procedures under our audit committee pre-approval policy for audit and non-audit services, or the Pre-Approval Policy, to ensure that all audit and permitted non-audit services to be provided to us have been pre-approved by the audit committee. Specifically, the audit committee pre-approves the use of PricewaterhouseCoopers LLP for specified audit and non-audit services, within approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by the audit committee before it may be provided by PricewaterhouseCoopers LLP. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the audit committee. For additional information concerning the audit committee and its activities with PricewaterhouseCoopers LLP, see “The Board of Directors and Its Committees” and “Report of the Audit Committee of the Board of Directors.”

Representatives of PricewaterhouseCoopers LLP attended all of the standard audit committee meetings in 2014. We expect that a representative of PricewaterhouseCoopers LLP will attend the annual meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from stockholders.

PricewaterhouseCoopers LLP Fees

The following table shows the aggregate fees for professional services rendered by PricewaterhouseCoopers LLP to us during the fiscal years December 27, 2014 and December 28, 2013.

	2014	2013
Audit Fees	\$ 963,497	\$ 895,013
Audit-Related Fees	124,569	38,499
Tax Fees	150,000	6,900
All Other Fees	3,394	3,394
Total	<u>\$ 1,241,460</u>	<u>\$ 943,806</u>

Audit Fees

Audit Fees for both years consist of fees for professional services associated with the annual consolidated financial statements audit, statutory filings, consents and assistance with and review of documents filed with the Securities and Exchange Commission.

Audit-Related Fees

Consists of fees associated with services related to review of accounting for significant transactions and other services that were reasonably related to the performance of audits or reviews of our financial statements and were not reported above under “Audit Fees.”

Tax Fees

Tax Fees consist of fees for professional services rendered for assistance with federal, state, local and international tax planning and compliance.

All Other Fees

All other fees include licenses to technical accounting research software. The audit committee has determined that the provision of services described above to us by PricewaterhouseCoopers LLP is compatible with maintaining their independence.

Recommendation of the Board

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU
VOTE “FOR” THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP
AS iROBOT’S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2015.**

PROPOSAL 3

APPROVAL OF THE iROBOT CORPORATION 2015 STOCK OPTION AND INCENTIVE PLAN

Proposal

The board of directors believes that stock options and other stock-based incentive awards can play an important role in the success of iRobot by encouraging and enabling the employees, officers, non-employee directors and other key persons of the Company and its subsidiaries upon whose judgment, initiative and efforts we largely depend for the successful conduct of our business to acquire a proprietary interest in the Company. Our board of directors anticipates that providing these people with a direct stake in iRobot will assure a closer identification of the interests of these individuals with those of the Company and its stockholders, thereby stimulating their efforts on our behalf and strengthening their desire to remain with the Company.

On April 1, 2015, the board of directors adopted, subject to stockholder approval, the 2015 Plan. The 2015 Plan is designed to enhance the flexibility to grant equity awards to our officers, employees, non-employee directors and other key persons and to ensure that we can continue to grant equity awards to eligible recipients at levels determined to be appropriate by the board of directors and/or the compensation committee. A copy of the 2015 Plan is attached as Annex A to this proxy statement and is incorporated herein by reference.

As of December 27, 2014, there were stock options to acquire 1,473,320 shares of common stock outstanding under our equity compensation plans, with a weighted average exercise price of \$22.89 and a weighted average remaining term of 3.87 years. In addition, as of December 27, 2014, there were 880,138 unvested full value awards with time-based vesting and 29,717 unvested full value awards with performance vesting outstanding under our equity compensation plans. Other than the foregoing, no awards under our equity compensation plans were outstanding as of December 27, 2014.

Upon the approval of the 2015 Plan by our stockholders, no additional stock option or incentive-awards will be issued from the Company's existing equity award plans.

Summary of Material Features

The material features of the 2015 Plan are:

- The maximum number of shares of common stock available for awards under the 2015 Plan is 3,100,000 shares;
- The award of stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, performance shares, dividend equivalent rights and cash-based awards is permitted;
- Grants of "full-value" awards are deemed for purposes of determining the number of shares available for future grants under the 2015 Plan as an award for 1.61 shares for each share of common stock subject to the award. Grants of stock options or stock appreciation rights are deemed to be an award of one share for each share of common stock subject to the award;
- Shares tendered or held back for taxes or to pay the exercise price with respect to an award will not be added back to the reserved pool under the 2015 Plan. Upon the exercise of a stock appreciation right that is settled in shares of common stock, the full number of shares underlying the award will be charged to the reserved pool. Additionally, shares we reacquire on the open market will not be added to the reserved pool;
- Stock options and stock appreciation rights will not be repriced in any manner without stockholder approval;
- Minimum vesting periods are required for stock options, stock appreciation rights, restricted stock, restricted stock units and performance share awards;
- No more than 2,000,000 shares subject to awards may be awarded to our non-employee directors in any calendar year period, no more than 2,500,000 shares subject to stock options or stock appreciation rights may be granted to any individual grantee in any calendar year period, and no more than 5% of the shares reserved may be granted under the 2015 plan as unrestricted stock awards;
- Any material amendment to the 2015 Plan is subject to approval by our stockholders; and
- The term of the 2015 Plan will expire on May 20, 2025, ten years from the date of the 2015 annual meeting.

Based solely on the closing price of our common stock as reported by the NASDAQ Global Market on April 9, 2015 and the maximum number of shares that would have been available for awards as of such date under the 2015 Plan, the maximum aggregate market value of the common stock that could potentially be issued under the 2015 Plan is approximately \$103.8 million. The shares we issue under the 2015 Plan will be authorized but unissued shares or shares of common stock that we reacquire. The shares of common stock underlying any awards that are forfeited, canceled or otherwise terminated, other than by exercise, under the 2015 Plan and the Company's 2005 Stock Option and Incentive Plan, as amended, will be added back to the shares of common stock available for issuance under the 2015 Plan. Shares tendered or held back upon exercise of a stock option or settlement of an award under the 2015 Plan to cover the exercise price or tax withholding and shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right upon exercise thereof, will not be added back to the shares of common stock available for issuance under the 2015 Plan.

Qualified Performance-Based Compensation under Code Section 162(m)

To ensure that certain awards granted under the 2015 Plan to “Covered Employees” (as defined in the Code) qualify as “performance-based compensation” under Section 162(m) of the Code, the 2015 Plan provides that the compensation committee may require that the vesting of such awards be conditioned on the satisfaction of performance criteria that may include any or all of the following: (1) total stockholder return; (2) earnings before interest, taxes, depreciation and amortization; (3) net income (loss) (either before or after interest, taxes, depreciation and/or amortization); (4) adjusted earnings (loss) before interest, taxes, depreciation and amortization, stock-based compensation expense, merger and acquisition expense, net intellectual property litigation expense, and restructuring expense (adjusted EBITDA); (5) changes in the market price of the common stock; (6) economic value-added; (7) funds from operations or similar measure; (8) sales or revenue; (9) acquisitions or strategic transactions; (10) operating income (loss); (11) cash flow (including, but not limited to, operating cash flow and free cash flow); (12) return on capital, assets, equity, or investment; (13) return on sales; (14) gross or net profit levels; (15) productivity; (16) expense; (17) margins; (18) operating efficiency; (19) customer satisfaction; (20) working capital; (21) earnings (loss) per share of common stock; (22) sales or market shares; and (23) number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group, and which may be applied to the Company as a whole or to a unit, division, group or subsidiary. With respect to an award granted to a “covered employee,” the compensation committee will select the particular performance criteria within 90 days following the commencement of a performance cycle. Subject to adjustments for stock splits and similar events, the maximum award granted to any one individual that is intended to qualify as “performance-based compensation” under Section 162(m) of the Code will not exceed 2,500,000 shares of common stock for any performance cycle and options or stock appreciation rights with respect to no more than 2,500,000 shares of common stock may be granted to any one individual during any calendar year period. If a performance-based award is payable in cash, it cannot exceed \$7,500,000 for any performance cycle.

Rationale for Adoption of the 2015 Plan

We previously adopted the iRobot 2005 Stock Option and Incentive Plan, as amended, or 2005 Plan. The 2005 Plan is scheduled to expire in 2015. Accordingly, the 2015 Plan is critical to our ongoing effort to build stockholder value. Equity incentive awards are an important component of our executive and non-executive employees’ compensation. Our compensation committee and the board of directors believe that we must continue to offer a competitive equity compensation program in order to attract, retain and motivate the talented and qualified employees necessary for our continued growth and success.

We manage our long-term stockholder dilution by limiting the number of equity incentive awards granted annually. The compensation committee carefully monitors our annual net burn rate, total dilution and equity expense in order to maximize stockholder value by granting only the number of equity incentive awards that it believes are necessary and appropriate to attract, reward and retain our employees. Our compensation philosophy reflects broad-based eligibility for equity incentive awards for high performing employees. By doing so, we link the interests of those employees with those of our stockholders and motivate our employees to act as owners of the business.

If the 2015 Plan is approved by stockholders, we will have approximately 3,100,000 shares available for grant after the 2015 annual meeting, which is based on zero shares available for grant under the 2005 Stock Option and Incentive Plan, as amended, and the 3,100,000 shares subject to this proposal. Our compensation committee determined the size of reserved pool under the 2015 Plan based on projected equity awards to anticipated new hires, projected annual equity awards to existing employees and an assessment of the magnitude of increase that our institutional investors and the firms that advise them would likely find acceptable.

Summary of the 2015 Plan

The following description of certain features of the 2015 Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the 2015 Plan, which is attached hereto as Appendix A.

Plan Administration. The 2015 Plan will be administered by the compensation committee. The compensation committee will have the full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2015 Plan. The compensation committee may delegate to our Chief Executive Officer, or a committee comprised of the Chief Executive Officer and another officer or officers of iRobot, the authority to grant equity awards to employees who are not “executive officers” (as defined in the Securities Exchange Act of 1933, as amended (the “Exchange Act”)) and who are not “officers” (as defined in Rule 16a-1 under the Exchange Act), subject to certain limitations and guidelines.

Eligibility. Persons eligible to participate in the 2015 Plan will be those full or part-time officers, employees, non-employee directors and other key persons (including consultants) of the Company and its subsidiaries as selected from time to time by the compensation committee in its discretion. As of April 9, 2015, approximately 523 individuals are currently eligible to participate in the 2015 Plan, which includes six executive officers, 509 employees who are not executive officers, and eight non-employee directors.

Plan Limits. Stock options or stock appreciation rights with respect to no more than 2,500,000 shares may be granted to any one individual during any one calendar year period and no more than 2,000,000 shares may be issued pursuant to awards to non-employee

directors in any calendar year period. No more than 3,100,000 shares of common stock may be issued in the form of incentive stock options.

Effect of Awards. For purposes of determining the number of shares of common stock available for issuance under the 2015 Plan, the grant of any “full value” award, such as a restricted stock award, restricted stock unit, unrestricted stock award or performance share will be counted as 1.61 shares for each share of common stock actually subject to the award. The grant of any stock option or stock appreciation right will be counted for this purpose as one share for each share of common stock actually subject to the award.

Stock Options. The 2015 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the 2015 Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and consultants. The option exercise price of each option will be determined by the compensation committee but may not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose will be the closing price of the shares of common stock on the NASDAQ Global Market on the grant date. The exercise price of an option may not be reduced after the date of the option grant, other than to appropriately reflect changes in our capital structure.

The term of each option will be fixed by the compensation committee and may not exceed ten years from the date of grant. The compensation committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the compensation committee under certain circumstances.

Options subject to performance-based vesting may not become fully vested prior to one year from the date of grant and all other options may not become fully vested prior to three years from the date of grant. These minimum vesting restrictions do not apply to awards granted to non-employee directors and consultants.

Upon exercise of options, the option exercise price must be paid in full by one of the following methods except to the extent provided in the option award certificate: (i) in cash or by certified or bank check or other instrument acceptable to the compensation committee; (ii) by delivery (or attestation to the ownership) of shares of common stock that are not then subject to restrictions under any Company plan; (iii) by delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check; or (iv) with respect to non-qualified options, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares issuable upon exercise by the largest whole number of shares with a fair market value that does not exceed the aggregate exercise price.

To qualify as incentive options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year. No more than 3,100,000 shares may be issued in the form of incentive stock options under the 2015 Plan.

Stock Appreciation Rights. The compensation committee may award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights entitle the recipient to shares of common stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price may not be less than the fair market value of the common stock on the date of grant. The maximum term of a stock appreciation right is ten years.

Stock appreciation rights subject to performance-based vesting may not become fully vested prior to one year from the date of grant and all other stock appreciation rights may not become fully vested prior to three years from the date of grant. These minimum vesting restrictions do not apply to awards granted to non-employee directors and consultants.

Restricted Stock and Restricted Stock Units. The compensation committee may award shares of common stock and restricted stock units to participants subject to such conditions and restrictions as the compensation committee may determine. These conditions and restrictions may include the achievement of certain performance goals (as summarized above) and/or continued employment with us through a specified restricted period. Restricted stock units are ultimately payable in the form of shares of common stock. During the vesting period, restricted stock awards and restricted stock units may be credited with dividend equivalent rights (but dividend equivalents payable with respect to restricted stock awards and restricted stock units with vesting tied to the attainment of performance criteria shall not be paid unless and until such performance conditions are attained).

Restricted stock awards and restricted stock units subject to performance-based vesting may not become fully vested prior to one year from the date of grant and all other restricted stock awards and restricted stock units may not become fully vested prior to three years from the date of grant. These minimum vesting restrictions do not apply to awards granted to non-employee directors and consultants.

Unrestricted Stock Awards. The compensation committee may also grant shares of common stock that are free from any restrictions under the 2015 Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant. No more than 5% of the shares reserved may be granted under the 2015 Plan pursuant to unrestricted stock awards.

Performance Share Awards. The compensation committee may grant performance share awards to any participant that entitle the recipient to receive shares of common stock upon the achievement of certain performance goals (as summarized above) and such other conditions as the compensation committee shall determine. These awards will have a vesting period of at least one year.

Dividend Equivalent Rights. The compensation committee may grant dividend equivalent rights to participants that entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock.

Cash-Based Awards. The compensation committee may grant cash bonuses under the 2015 Plan to participants. The cash bonuses may be subject to the achievement of certain performance goals (as summarized above).

Change of Control Provisions. The 2015 Plan provides that, upon the effectiveness of a “sale event,” as defined in the 2015 Plan, the parties to the sale event may cause the assumption or continuation of awards, or the substitution of such awards with new awards of the successor entity or parent thereof. To the extent that the parties to the sale event do not provide for the assumption, continuation or substitution of awards, all awards under the 2015 Plan shall terminate upon the effective time of the sale event. In the event of such termination, (i) the Company may make or provide for a per share cash payment to participants holding awards equal to the difference between the per share cash consideration in the sale event and the exercise price of such awards, if any, or (ii) each participant shall be permitted, within a specified period of time prior to the consummation of the sale event, to exercise all outstanding stock options and stock appreciation rights (to the extent then exercisable) held by such participant, but, in such case, the board of directors shall first accelerate the exercisability of such stock options and stock appreciation rights.

Adjustments for Stock Dividends, Stock Splits, Etc. The 2015 Plan requires the compensation committee to make appropriate adjustments to the number of shares of common stock that are subject to the 2015 Plan, to certain limits in the 2015 Plan, and to any outstanding awards to reflect stock dividends, stock splits, recapitalizations and similar events.

Tax Withholding. Participants in the 2015 Plan are responsible for the payment of any federal, state or local taxes that we are required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. The compensation committee may permit the minimum tax withholding obligations to be satisfied by allowing a participant to authorize us to withhold from shares of common stock to be issued pursuant to any award a number of shares with an aggregate fair market value (as of the date the withholding is effected) that would satisfy the withholding amount due. The compensation committee may also require that awards be subject to mandatory share withholding up to the required withholding amount.

Clawback Policy. All awards made under the 2015 Plan will be subject to the terms and provisions of the Company’s clawback policy, as in effect from time to time.

No Repricing. Except in connection with a material change in our capital stock or a sale event, the 2015 Plan prohibits the repricing of stock options or stock appreciation rights through the reduction of the exercise price, or through cancellation and regrant, or through cancellation in exchange for cash, without stockholder approval.

Amendments and Termination. The board of directors may at any time amend or discontinue the 2015 Plan. However, no such action may materially adversely affect any rights under any outstanding award without the holder’s consent. To the extent required under NASDAQ rules, any amendments that materially change the terms of the 2015 Plan will be subject to approval by our stockholders. Amendments shall also be subject to approval by our stockholders if and to the extent determined to be required by the Code to preserve the qualified status of incentive options or to ensure that compensation earned under the 2015 Plan qualifies as performance-based compensation under Section 162(m) of the Code.

Effective Date of the 2015 Plan. The board of directors adopted the 2015 Plan on April 1, 2015. The 2015 Plan will become effective on the date it is approved by stockholders. Awards of incentive options may be granted under the 2015 Plan until March 31, 2025, ten years from the date of Board approval. No other awards may be granted under the 2015 Plan after the date that is ten years from the date of stockholder approval.

Plan Benefits

Because the grant of awards under the 2015 Plan is within the discretion of the compensation committee, we cannot determine the dollar value or number of shares of common stock that will in the future be received by or allocated to any participant in the 2015 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the 2015 Plan, the following table provides information concerning the benefits that were received by the following persons and groups during 2014: each named executive officer; all current executive officers, as a group; all current directors who are not executive officers, as a group; and all employees who are not executive officers, as a group.

Name and Principal Position	Options		Awards	
	Average Exercise Price (\$)	Number of Awards (#)	Dollar Value (\$) (1)	Number of Awards (#)
Colin M. Angle, Chairman, Chief Executive Officer and Director	\$ 38.91	35,175	1,762,178	40,650
Alison Dean, Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer	\$ 38.91	11,600	580,890	13,400
Russell J. Campanello, Executive Vice President, Human Resources and Corporate Communications	\$ 38.91	11,200	560,299	12,925
Christian Cerda, Executive Vice President and General Manager, Home Business Unit	\$ 38.91	7,188	360,889	8,325
Paolo Pirjanian, Executive Vice President and Chief Technology Officer	\$ 38.91	12,800	640,497	14,775
All executive officers, as a group	\$ 38.91 (2)	90,763	4,225,541 (3)	97,475
All current directors who are not executive officers, as a group	— (2)	—	1,024,277 (3)	29,309
All current employees who are not executive officers or directors, as a group	\$ 35.94 (2)	142,418	8,985,843 (3)	245,375

(1) The valuation of stock awards is based on the grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used to calculate the value of stock awards are set forth in the footnotes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

(2) Represents the weighted-average exercise price for the group.

(3) Represents the total grant date fair value for the group.

Tax Aspects under the Code

The following is a summary of the principal U.S. federal income tax consequences of certain transactions under the 2015 Plan. It does not describe all federal tax consequences under the 2015 Plan, nor does it describe foreign, state or local tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then, (i) upon the sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) we will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above, which is referred to as a “disqualifying disposition,” generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the exercise price thereof, and (ii) we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. No income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid

by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

Other Awards. We will generally be entitled to a tax deduction in connection with an award under the 2015 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize that tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments. The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control (such as a sale event) may cause a portion of the payments with respect to such accelerated awards to be treated as “parachute payments” as defined in the Code. Any such parachute payments may be non-deductible by us, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Limitation on Deductions. Under Section 162(m) of the Code, our deduction for certain awards under the 2015 Plan may be limited to the extent that the Chief Executive Officer or other executive officer whose compensation is required to be reported in the summary compensation table (other than the Principal Financial Officer) receives compensation in excess of \$1 million a year (other than performance-based compensation that otherwise meets the requirements of Section 162(m) of the Code). The 2015 Plan is structured to allow certain awards to qualify as performance-based compensation.

Vote Required

A majority of the votes cast is required for the approval of the 2015 Plan.

Equity Compensation Plan Information

The following table provides information as of December 27, 2014 regarding shares of common stock that may be issued under our equity compensation plans, consisting of the Amended and Restated 2004 Stock Option and Incentive Plan, the 2005 Stock Option and Incentive Plan, as amended, and the Evolution Robotics, Inc. 2007 Stock Plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a))(c)
Equity compensation plans approved by security holders	2,315,449 (1) \$	23.77 (2)	4,762,446 (3)
Equity compensation plans not approved by security holders	67,726 (4) \$	4.53	—
Total	2,383,175 (5) \$	22.89	4,762,446

- (1) Includes 1,405,594 shares of common stock issuable upon the exercise of outstanding options, 880,138 shares of common stock issuable upon the vesting of restricted stock units, and 29,717 shares of common stock issuable upon the vesting of performance shares if specified performance metrics are achieved.
- (2) Since restricted stock units do not have any exercise price, such units are not included in the weighted average exercise price calculation.
- (3) As of April 9, 2015, there were zero shares available for grants under the Amended and Restated 2004 Stock Option and Incentive Plan, 3,750,843 shares available for grants under our 2005 Stock Option and Incentive Plan, as amended, and zero shares available under the Evolution Robotics, Inc. 2007 Stock Plan. If the 2015 Plan is approved, no further shares may be granted under any previous Plans.
- (4) Represents shares issued pursuant to the Evolution Robotics, Inc. 2007 Stock Plan, acquired by the company as part of the acquisition of Evolution Robotics, Inc., on October 1, 2012.
- (5) Includes 1,473,320 shares of common stock issuable upon the exercise of outstanding options.

Recommendation of the Board

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR”
THE 2015 PLAN.**

PROPOSAL 4

APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ADOPT MAJORITY VOTING STANDARDS

At our 2014 annual meeting of stockholders, our stockholders voted to request that our board of directors take the steps necessary so that each voting requirement in our existing amended and restated certificate of incorporation (the “Current Certificate”) and by-laws that calls for a greater than a simple majority vote be eliminated and replaced by a majority voting standard.

Our nominating and corporate governance committee and our board of directors have carefully considered the advantages and disadvantages of adopting majority voting standards and, after taking into consideration the vote of the stockholders at last year’s annual meeting, have determined that it is appropriate to propose the amendments described below, which are part of the amended and restated certificate of incorporation now being submitted to a vote of stockholders (the “Restated Certificate”).

Our board of directors has unanimously adopted a resolution approving and declaring the advisability of the Restated Certificate, which changes the voting provisions in the Existing Certificate as follows:

Removal of Directors; Article VI, Section 5 - Currently, the approval of the holders of 75% or more of the shares of the Company entitled to vote at an election of directors is required to remove a director from office prior to the expiration of his or her term with cause. If this proposal is approved, stockholders will have the ability to remove a director from office prior to the expiration of his or her term with cause and a vote of a majority of the shares of the Company entitled to vote at an election of directors.

By-law Amendments; Article VIII, Section 2 - Currently, the Existing Certificate allows stockholders to amend or repeal our by-laws if at least 75% of the shares of the Company entitled to vote on such matter vote in favor of the amendment or repeal. If this proposal is approved, stockholders will have the ability to amend our by-laws with a vote of a majority the shares of the Company entitled to vote on such matter.

Amendments to Certain Provisions of the Certificate of Incorporation; Article IX - Currently, the approval of at least 75% of the shares of the Company entitled to vote on such matter is required to amend or repeal Articles V, VI, VII, VIII or IX of the Existing Certificate, which address, among other things, actions by written consent of stockholders, special meetings of stockholders requirements and procedures for electing and removing board members and filling vacancies, limitation of liability of directors, by-law amendments, and amendments of the Existing Certificate. If this proposal is approved, stockholders will have the ability to amend or repeal these provisions of the Restated Certificate with a vote of the majority of the outstanding shares of the Company entitled to vote on such amendment or repeal.

In addition, we made a non-material change to the Restated Certificate to delete the initial class designations of our directors, which were effective only for initial three-year terms, which expired at the annual meetings held in 2006, 2007 and 2008, respectively.

This description of the Restated Certificate is a summary and is qualified by the full text of the Restated Certificate, which is attached to this Proxy Statement as [Annex B](#). The attached Restated Certificate is marked to show the changes described above.

To be approved, the Restated Certificate requires an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the Restated Certificate will become effective upon being filed with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

If this proposal is approved by the stockholders, conforming amendments requiring the vote of a majority of the outstanding shares will be made to our bylaws.

Recommendation of the Board

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR”
APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO
PROVIDE FOR MAJORITY VOTING STANDARDS.**

PROPOSAL 5

ADVISORY VOTE ON THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The following proposal, commonly known as a “say on pay” proposal, gives our stockholders the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers. This vote is not intended to address any specific item of compensation or the compensation of any particular officer, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices, as discussed in this proxy statement. Accordingly, we are asking our stockholders to vote “FOR” the following resolution at our annual meeting of stockholders:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed in this proxy statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.”

Before you vote, we urge you to read the Compensation Discussion and Analysis and Director and Executive Compensation Summary sections of this Proxy Statement for additional details on the Company’s executive compensation programs and philosophy.

This vote is advisory, and therefore not binding on the Company, the compensation committee or our board of directors. However, our board of directors and our compensation committee value the opinions of our stockholders and intend to take into account the outcome of the vote when considering future compensation decisions for our named executive officers.

At our 2011 annual meeting of stockholders, our stockholders voted, on a non-binding, advisory basis, for the Company to hold future, non-binding advisory votes on the compensation of our named executive officers on an annual basis. After taking into consideration this voting result, our board of directors determined that it intends to hold non-binding, advisory votes on the compensation of our named executive officers every year.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 6
STOCKHOLDER PROPOSAL ENTITLED "ELECT EACH DIRECTOR ANNUALLY"

On December 6, 2014, the Company received by electronic mail a letter dated November 17, 2014 containing the following proposal from Mr. James McRitchie, 9295 Yorkship Court, Elk Grove, CA 95758, beneficial owner of 80 shares of the Company's common stock. In accordance with SEC rules, we are reprinting the proposal and supporting statement in this proxy statement as they were submitted to us:

The Board of Directors of iRobot does not support the adoption of the resolution proposed below and asks stockholders to consider management's response, which follows the stockholder proposal.

Stockholder Proposal

Proposal 6 - Elect Each Director Annually

RESOLVED, shareholders ask that our Company take the steps necessary to reorganize the Board of Directors into one class with each director subject to election each year. Although our management is capable of putting forth a management proposal to completely adopt this proposal topic in one-year, management would nonetheless have the option to phase it in over 3-years.

Arthur Levitt, former Chairman of the Securities and Exchange Commission, said, "In my view it's best for the investor if the entire board is elected once a year. Without annual election of each director shareholders have far less control over who represents them."

A total of 79 S&P 500 and Fortune 500 companies, with aggregate market capitalization of one trillion dollars, adopted this topic in 2012 and 2013. Annual elections are widely viewed as a corporate governance best practice. Annual election of each director could make directors more accountable, and thereby contribute to improved performance and increased company value.

iRobot shareholders are strongly in favor of improving our corporate governance as this proposal will do. For example, iRobot shareholders gave 82% support to a 2014 shareholder proposal to change certain voting thresholds to a more democratic 51% standard. There is a link between improved governance and improved profits.

Please vote to protect enhance value:

Elect Each Director Annually - Proposal 6

Recommendation of the Board

The board of directors unanimously recommends you vote "AGAINST" this proposal.

The board of directors has considered the most effective structure for the term of each director and has determined, for the reasons set forth below, that the current classified structure of the board of directors continues to be in the best long-term interests of the Company and its stockholders.

Stability, Continuity and Experience. In accordance with our amended and restated certificate of incorporation, the board of directors is divided into three classes, with each class serving a staggered three-year term. This classified structure provides the board of directors with stability and continuity, enhancing long-term strategic planning and initiatives by the board of directors that often require several years to implement and realize results. This classified structure also ensures that, at any given time, the board of directors is comprised of experienced directors who are intimately familiar with our business, strategic goals, history and culture. A classified board of directors ensures continuity of leadership and informed decision making, as at any given time the majority of the directors will have prior experience serving on the board of directors and a deep understanding of the concerns and issues facing the Company.

Accountability. All directors, regardless of the length of their term of office, are required to act in their capacity as a director in a manner that complies with their fiduciary duties to the Company and its stockholders. The board of directors believes that the experience of individual directors is more important to effective board governance than annual elections. The classified structure of the board of directors strengthens our ability to attract and retain high quality directors who are willing to make the significant commitment of time and effort to the Company and its stockholders that effective board service requires. In addition, stockholders currently have the ability to elect a majority of the board of directors in just two consecutive annual meetings, which affords

stockholders considerable influence over the affairs, operations and future planning of the Company and holds the directors accountable for their actions.

Protecting Shareholder Value. Electing directors to three-year terms enhances the focus of directors on the long-term interests of stockholders by providing them with a longer term of office. This longer term reduces the potential influence of special and single interest stockholder groups who might have a short-term agenda to take action that is not in the long-term interests of the Company and its stockholders. As a result, directors are able to function with greater independence and long-term perspective, which is critical to the directors making decisions that are in the best interests of the Company and its stockholders. Further, our classified board structure strengthens the board of directors' ability to obtain the best results for stockholders in a potential takeover situation by providing the Company with the opportunity to evaluate the fairness of the takeover proposal and to weigh alternatives with the objective of maximizing overall stockholder value. The classified board structure ensures that incumbent directors always represent a majority of the board of directors and are in a position to negotiate with the proponent of the change while protecting the interests of all stockholders. With a classified board, it is impossible for proponents of a hostile takeover to elect an entire new board of directors or a majority of the board of directors at a single annual meeting of stockholders. This structure reduces the Company's vulnerability to hostile and potentially abusive takeover tactics and better positions the board of directors to negotiate effectively on behalf of all of the Company's stockholders.

Stockholder approval of this proposal would not in itself declassify the board of directors. To change the classified structure of the board of directors, the board of directors would need to authorize an amendment to our amended and restated certificate of incorporation, after which the stockholders would need to approve the amendment.

After careful consideration, we have determined that continuation of our classified board structure is appropriate and in the best long-term interests of the Company and its stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "AGAINST" APPROVAL OF THIS STOCKHOLDER PROPOSAL and your proxy will be so voted unless you specify otherwise.

OTHER MATTERS

The board of directors knows of no other matters to be brought before the annual meeting. If any other matters are properly brought before the annual meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended for inclusion in the proxy statement to be furnished to all stockholders entitled to vote at our 2016 annual meeting of stockholders, pursuant to Rule 14a-8 promulgated under the Exchange Act by the Securities and Exchange Commission, must be received at the Company's principal executive offices not later than December 15, 2015. Stockholders who wish to make a proposal at the 2016 annual meeting - other than one that will be included in the Company's proxy statement - must notify us between January 21, 2016 and February 20, 2016. If a stockholder who wishes to present a proposal fails to notify us by February 20, 2016 and such proposal is brought before the 2016 annual meeting, then under the Securities and Exchange Commission's proxy rules, the proxies solicited by management with respect to the 2016 annual meeting will confer discretionary voting authority with respect to the stockholder's proposal on the persons selected by management to vote the proxies. If a stockholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the Securities and Exchange Commission's proxy rules. In order to curtail controversy as to the date on which we received a proposal, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to iRobot Corporation, 8 Crosby Drive, Bedford, Massachusetts 01730, Attention: Secretary.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons are required by regulations of the Securities and Exchange Commission to furnish us with copies of all such filings. Based solely on our review of copies of such filings we believe that all such persons complied on a timely basis with all Section 16(a) filing requirements during the fiscal year ended December 27, 2014, except that Ms. Stacy and Messrs. Sagan and Weinstein each did not timely file a Form 4 with respect to one transaction.

EXPENSES AND SOLICITATION

The cost of solicitation of proxies will be borne by us and, in addition to soliciting stockholders by mail through its regular employees, we may request banks, brokers and other custodians, nominees and fiduciaries to solicit their customers who have our stock registered in the names of a nominee and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our officers and employees may also be made of some stockholders in person or by mail, telephone, e-mail or telegraph following the original solicitation. We may also retain an independent proxy solicitation firm to assist in the solicitation of proxies.

Exhibit A

iRobot Corporation Adjusted EBITDA Reconciliation to GAAP (unaudited, in thousands)

	For the twelve months ended	
	December 27, 2014	December 28, 2013
Net income	\$ 37,803	\$ 27,641
Interest income, net	(673)	(660)
Income tax expense	14,606	4,774
Depreciation	9,192	8,077
Amortization	3,857	4,092
EBITDA	64,785	43,924
Stock-based compensation expense	13,778	13,409
Merger and acquisition expense	—	400
Net intellectual property litigation expense	1,214	1202
Restructuring expense	—	3,296
Adjusted EBITDA	\$ 79,777	\$ 62,231

Use of Non-GAAP Financial Measures

In evaluating its business, iRobot considers and uses Adjusted EBITDA as a supplemental measure of its operating performance. The Company defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, merger and acquisition expenses, net intellectual property litigation expenses, restructuring expenses and non-cash stock compensation. The Company also presents Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

The term Adjusted EBITDA is not defined under U.S. generally accepted accounting principles, or U.S. GAAP, and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing the Company's operating performance, investors should not consider Adjusted EBITDA in isolation, or as a substitute for net income (loss) or other consolidated income statement data prepared in accordance with U.S. GAAP. Among other things, Adjusted EBITDA does not reflect the Company's actual cash expenditures. Other companies may calculate similar measures differently than iRobot, limiting their usefulness as comparative tools. iRobot compensates for these limitations by relying primarily on its U.S. GAAP results and using Adjusted EBITDA only supplementally.

iROBOT CORPORATION

2015 STOCK OPTION AND INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the iRobot Corporation 2015 Stock Option and Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of iRobot Corporation (the “Company”) and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its businesses to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“*Act*” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“*Administrator*” means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

“*Award*” or “*Awards*,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, Performance Share Awards and Dividend Equivalent Rights.

“*Award Certificate*” means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Certificate is subject to the terms and conditions of the Plan.

“*Board*” means the Board of Directors of the Company.

“*Cash-Based Award*” means an Award entitling the recipient to receive a cash-denominated payment.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“*Consultant*” means any natural person that provides bona fide services to the Company, and such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities.

“*Covered Employee*” means an employee who is a “Covered Employee” within the meaning of Section 162(m) of the Code.

“*Dividend Equivalent Right*” means an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee.

“*Effective Date*” means the date on which the Plan is approved by stockholders as set forth in Section 21.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“*Fair Market Value*” of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), NASDAQ Global Market or another national securities exchange, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations.

“*Incentive Stock Option*” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Non-Employee Director*” means a member of the Board who is not also an employee of the Company or any Subsidiary.

“Non-Qualified Stock Option” means any Stock Option that is not an Incentive Stock Option.

“Option” or *“Stock Option”* means any option to purchase shares of Stock granted pursuant to Section 5.

“Performance-Based Award” means any Restricted Stock Award, Restricted Stock Units, Performance Share Award or Cash-Based Award granted to a Covered Employee that is intended to qualify as “performance-based compensation” under Section 162(m) of the Code and the regulations promulgated thereunder.

“Performance Criteria” means the criteria that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for an individual for a Performance Cycle. The Performance Criteria (which shall be applicable to the organizational level specified by the Administrator, including, but not limited to, the Company or a unit, division, group, or Subsidiary of the Company) that will be used to establish Performance Goals are limited to the following: total shareholder return; earnings before interest, taxes, depreciation and amortization; net income (loss) (either before or after interest, taxes, depreciation and/or amortization); adjusted earnings (loss) before interest, taxes, depreciation and amortization, stock-based compensation expense, merger and acquisition expense, net intellectual property litigation expense, and restructuring expense (Adjusted EBITDA); changes in the market price of the Stock; economic value-added; funds from operations or similar measure; sales or revenue; acquisitions or strategic transactions; operating income (loss); cash flow (including, but not limited to, operating cash flow and free cash flow); return on capital, assets, equity, or investment; return on sales; gross or net profit levels; productivity; expense; margins; operating efficiency; customer satisfaction; working capital; earnings (loss) per share of Stock; sales or market shares; and number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. Unless otherwise specified in an Award Certificate in order to qualify as performance based compensation for purposes of Section 162 (m) of the Code or otherwise, the Committee may appropriately adjust any evaluation performance under a Performance Criterion to exclude any of the following events that occurs during a Performance Cycle: (i) asset write-downs or impairments; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reporting results; (iv) accruals for reorganizations and restructuring programs; (v) any extraordinary non-recurring items, including those described in the Financial Accounting Standards Board’s authoritative guidance and/or in management’s discussion and analysis of financial condition of operations appearing the Company’s annual report to stockholders for the applicable year; (vi) acquisitions and/or divestitures; and (vii) any other extraordinary items adjusted from the Company U.S. GAAP results.

“Performance Cycle” means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Criteria will be measured for the purpose of determining a grantee’s right to and the payment of a Restricted Stock Award, Restricted Stock Units, Performance Share Award or Cash-Based Award, the vesting and/or payment of which is subject to the attainment of one or more Performance Goals. Each such period shall not be less than one year.

“Performance Goals” means, for a Performance Cycle, the specific goals established in writing by the Administrator for a Performance Cycle based upon the Performance Criteria.

“Performance Share Award” means an Award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals.

“Restricted Shares” means the shares of Stock underlying a Restricted Stock Award that remain subject to a risk of forfeiture or the Company’s right of repurchase.

“Restricted Stock Award” means an Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant.

“Restricted Stock Units” means an Award of stock units subject to such restrictions and conditions as the Administrator may determine at the time of grant.

“Sale Event” shall mean the consummation of (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company’s outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company’s outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

“*Sale Price*” means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Sale Event.

“*Section 409A*” means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

“*Stock*” means the Common Stock, par value \$0.01 per share, of the Company, subject to adjustments pursuant to Section 3.

“*Stock Appreciation Right*” means an Award entitling the recipient to receive shares of Stock having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

“*Subsidiary*” means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

“*Ten Percent Owner*” means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424 (d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

“*Unrestricted Stock Award*” means an Award of shares of Stock free of any restrictions.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) Administration of Plan. The Plan shall be administered by the Administrator.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, Performance Share Awards and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more grantees;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Certificates;

(v) to accelerate the exercisability or vesting of all or any portion of any Award;

(vi) subject to the provisions of Section 5(c), to extend at any time the period in which Stock Options may be exercised; and

(vii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) Delegation of Authority to Grant Awards. Subject to applicable law, the Administrator, in its discretion, may delegate to the Chief Executive Officer or another executive officer of the Company or a committee comprised of the Chief Executive Officer and another officer or officers of the Company, all or part of the Administrator’s authority and duties with respect to the granting of Awards to individuals who are (i) not subject to the reporting and other provisions of Section 16 of the Exchange Act and (ii) not Covered Employees. Any such delegation by the Administrator shall include a limitation as to the amount of Stock underlying Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise

price and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

(d) Award Certificate. Awards under the Plan shall be evidenced by Award Certificates that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event employment or service terminates.

(e) Indemnification. Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(f) Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 3,100,000 shares, subject to adjustment as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any Awards that are forfeited, canceled or otherwise terminated (other than by exercise or withheld to cover the exercise price or tax withholdings, as described below) under the Plan and the Company's 2005 Stock Option and Incentive Plan shall be added back to the shares of Stock available for issuance under the Plan. Notwithstanding the foregoing, the following shares shall not be added to the shares authorized for grant under the Plan: (i) shares tendered or held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, and (ii) shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right upon exercise thereof. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options or Stock Appreciation Rights with respect to no more than 2,500,000 shares of Stock may be granted to any one individual grantee during any one calendar year period, no more than 3,100,000 shares of the Stock may be issued in the form of Incentive Stock Options, and no more than 2,000,000 shares of Stock may be issued pursuant to Awards to Non-Employee Directors in any calendar year period. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Effect of Awards. The grant of any full value Award (i.e., an Award other than an Option or a Stock Appreciation Right) shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award of 1.61 shares of Stock for each such share of Stock actually subject to the Award. The grant of an Option or a Stock Appreciation Right shall be deemed, for purposes of determining the number of shares of Stock available for issuance under Section 3(a), as an Award for one share of Stock for each such share of Stock actually subject to the Award. Any forfeitures, cancellations or other terminations (other than by exercise) of such Awards shall be returned to the reserved pool of shares of Stock under the Plan in the same manner.

(c) Changes in Stock. Subject to Section 3(d) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any

successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual grantee and the maximum number of shares that may be granted under a Performance-Based Award and the maximum number of shares subject to Awards that may be granted to Non-Employee Directors in a calendar year, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (v) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(d) Mergers and Other Transactions. In the case of and subject to the consummation of a Sale Event, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. To the extent the parties to such Sale Event do not provide for the assumption, continuation or substitution of Awards, upon the effective time of the Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate. In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a cash payment to the grantees holding Awards, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to such outstanding Awards (to the extent then vested or, in the case of Options and Stock Appreciation Rights, exercisable at prices not in excess of the Sale Price) and (B) if applicable, the aggregate exercise price (if any) of such outstanding Awards; or (ii) each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights (to the extent then exercisable) held by such grantee, but in such case the Board shall first accelerate the exercisability of such Options and Stock Appreciation Rights prior to termination. Unless otherwise determined by the Board (on the same basis or on different bases as the Board shall specify), any repurchase rights or other rights of the Company that relate to an Option, Stock Appreciation Right or other Award shall continue to apply to consideration, including cash, that has been substituted, assumed, amended or paid for a Stock Option, Stock Appreciation Right or other Award pursuant to this paragraph. The Company may hold in escrow all or any portion of any such consideration in order to effectuate any continuing restrictions.

SECTION 4. ELIGIBILITY

Grantees under the Plan will be such full or part-time officers and other employees, Non-Employee Directors and Consultants of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. STOCK OPTIONS

(a) Award of Stock Options. The Administrator may grant Stock Options under the Plan. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee's election, subject to such terms and conditions as the Administrator may establish.

(b) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

(c) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the term of such Stock Option shall be no more than five years from the date of grant.

(d) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. A Stock Option grant (excluding grants to Non-Employee Directors and Consultants) shall not become fully exercisable sooner than three years after grant if subject to time-based vesting (but may become exercisable ratably over such three-year period beginning at the end of the first one-year period). A Stock Option grant shall not become exercisable sooner than one year after grant if subject to performance-based vesting unless accelerated as permitted by Section 2(b)(v) hereof. A Stock Option grant to Non-Employee Directors or Consultants shall not become exercisable sooner than one year after grant. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(e) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods except to the extent otherwise provided in the Option Award Certificate:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership following such procedures as the Company may prescribe) of shares of Stock that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Company shall prescribe as a condition of such payment procedure; or

(iv) With respect to Stock Options that are not Incentive Stock Options, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award Certificate or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(f) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

SECTION 6. STOCK APPRECIATION RIGHTS

(a) Award of Stock Appreciation Rights. The Administrator may grant Stock Appreciation Rights under the Plan. A Stock Appreciation Right is an Award entitling the recipient to receive shares of Stock having a value equal to the excess of the Fair Market Value of a share of Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

(b) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(c) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator independently of any Stock Option granted pursuant to Section 5 of the Plan. A Stock Appreciation Rights grant (excluding grants to Non-Employee Directors and Consultants) shall not become fully exercisable sooner than three years after grant if subject to time-based vesting (but may become exercisable ratably over such three-year period beginning at the end of the first one-year period). A Stock Appreciation Rights grant shall not become exercisable sooner than one year after grant if subject to performance-based vesting unless accelerated as permitted by Section 2(b)(v) hereof. A Stock Appreciation Rights grant to Non-Employee Directors or Consultants shall not become exercisable sooner than one year after grant.

(d) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Administrator. The term of a Stock Appreciation Right may not exceed ten years.

SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Administrator may grant Restricted Stock Awards under the Plan. A Restricted Stock Award is any Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award Certificate shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Shares and receipt of dividends; provided that if the lapse of restrictions with respect to the Restricted Stock Award is tied to the attainment of performance goals, any dividends paid by the Company during the performance period shall accrue and shall not be paid to the grantee until and to the extent the performance goals are met with respect to the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Shares shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Shares are vested as provided in Section 7(d) below, and (ii) certificated Restricted Shares shall remain in the possession of the Company until such Restricted Shares are vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Certificate. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, if a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Shares that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of Restricted Shares that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Shares. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Shares and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Shares and shall be deemed "vested." A grant of Restricted Shares (excluding grants to Non-Employee Directors and Consultants) shall not become fully vested sooner than three years after grant if subject to time-based vesting (but may vest ratably over such three-year period beginning at the end of the first one-year period). A grant of Restricted Shares shall not become vested sooner than one year after grant if subject to performance-based vesting unless accelerated as permitted by Section 2(b)(v) hereof. A grant of Restricted Shares to Non-Employee Directors or Consultants shall not become vested sooner than one year after grant.

SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Administrator may grant Restricted Stock Units under the Plan. A Restricted Stock Unit is an Award of stock units that may be settled in shares of Stock upon the satisfaction of such restrictions and conditions at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award Certificate shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. Except in the case of Restricted Stock Units with a deferred settlement date that complies with Section 409A, at the end of the vesting period, the Restricted Stock

Units, to the extent vested, shall be settled in the form of shares of Stock. Restricted Stock Units with deferred settlement dates are subject to Section 409A and shall contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order to comply with the requirements of Section 409A. A grant of Restricted Stock Units (excluding grants to Non-Employee Directors and Consultants) shall not become fully vested sooner than three years after grant if subject to time-based vesting (but may vest ratably over such three-year period beginning at the end of the first one-year period). A grant of Restricted Stock Units shall not become vested sooner than one year after grant if subject to performance-based vesting unless accelerated as permitted by Section 2(b)(v) hereof. A grant of restricted Stock Units to Non-Employee Directors or Consultants shall not become vested sooner than one year after grant.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future cash compensation otherwise due to such grantee in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. Any such future cash compensation that the grantee elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the grantee if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Certificate.

(c) Rights as a Stockholder. A grantee shall have the rights as a stockholder only as to shares of Stock acquired by the grantee upon settlement of Restricted Stock Units; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the stock units underlying his Restricted Stock Units, subject to the provisions of Section 11 and such terms and conditions as the Administrator may determine.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, a grantee's right in all Restricted Stock Units that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

The Administrator may grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. An Unrestricted Stock Award is an Award pursuant to which the grantee may receive shares of Stock free of any restrictions under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee. No more than five percent (5%) of the shares reserved may be granted under the Plan pursuant to Unrestricted Stock Awards.

SECTION 10. CASH-BASED AWARDS

The Administrator may grant Cash-Based Awards under the Plan. A Cash-Based Award is an Award that entitles the grantee to a payment in cash upon the attainment of specified Performance Goals. The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash.

SECTION 11. PERFORMANCE SHARE AWARDS

(a) Nature of Performance Share Awards. The Administrator may grant Performance Share Awards under the Plan. A Performance Share Award is an Award entitling the grantee to receive shares of Stock upon the attainment of performance goals. The Administrator shall determine whether and to whom Performance Share Awards shall be granted, the performance goals, the periods during which performance is to be measured, which may not be less than one year except in the case of a Sale Event, and such other limitations and conditions as the Administrator shall determine.

(b) Rights as a Stockholder. A grantee receiving a Performance Share Award shall have the rights of a stockholder only as to shares of Stock actually received by the grantee under the Plan and not with respect to shares subject to the Award but not actually received by the grantee. A grantee shall be entitled to receive shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award Certificate (or in a performance plan adopted by the Administrator).

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 18 below, in writing after the Award is issued, a grantee's rights in all Performance Share Awards shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. PERFORMANCE-BASED AWARDS TO COVERED EMPLOYEES

(a) Performance-Based Awards. The Administrator may grant one or more Performance-Based Awards in the form of a Restricted Stock Award, Restricted Stock Units, Performance Share Awards or Cash-Based Award payable upon the attainment of Performance Goals that are established by the Administrator and relate to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Administrator. The Administrator shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for any Performance Cycle. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. Each Performance-Based Award shall comply with the provisions set forth below.

(b) Grant of Performance-Based Awards. With respect to each Performance-Based Award granted to a Covered Employee, the Administrator shall select, within the first 90 days of a Performance Cycle (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) the Performance Criteria for such grant, and the Performance Goals with respect to each Performance Criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-Based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The Performance Criteria established by the Administrator may be (but need not be) different for each Performance Cycle and different Performance Goals may be applicable to Performance-Based Awards to different Covered Employees.

(c) Payment of Performance-Based Awards. Following the completion of a Performance Cycle, the Administrator shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-Based Awards earned for the Performance Cycle. The Administrator shall then determine the actual size of each Covered Employee's Performance-Based Award. Notwithstanding the foregoing, the Administrator shall have the discretionary authority to reduce (but not increase) the amount payable to a Covered Executive under a Performance-Based Award.

(d) Maximum Award Payable. The maximum Performance-Based Award payable to any one Covered Employee under the Plan for a Performance Cycle is 2,500,000 shares of Stock (subject to adjustment as provided in Section 3(c) hereof) or \$7,500,000 in the case of a Performance-Based Award that is a Cash-Based Award.

SECTION 13. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. The Administrator may grant Dividend Equivalent Rights under the Plan. A Dividend Equivalent Right is an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other Award to which it relates) if such shares had been issued to the grantee. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of an award of Restricted Stock Units, Restricted Stock Award or Performance Share Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Certificate. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of an Award of Restricted Stock Units or Performance Share Award shall provide that such Dividend Equivalent Right shall be settled only upon settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award.

(b) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, a grantee's rights in all Dividend Equivalent Rights shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 14. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 14(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 14(a), the Administrator, in its discretion, may provide either in the Award Certificate regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Non-Qualified Options to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a grantee for value.

(c) Family Member. For purposes of Section 14(b), "family member" shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. To the extent permitted by the Company, each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

SECTION 15. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld by the Company with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the rights to deduct any such taxes from any payment of any kind otherwise due to the grantee and/or to direct that the proceeds from a sale of Stock on behalf of a grantee be paid over to the Company to satisfy any such tax withholding obligations. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. In the Administrator's discretion, the Company's minimum required tax withholding obligation may be satisfied, in whole or in part, by authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due. The Administrator may also require Awards to be subject to mandatory share withholding up to the required withholding amount. For purposes of share withholding, the Fair Market Value of withheld shares shall be determined in the same manner as the value of Stock includible in income of the Participants.

SECTION 16. SECTION 409A AWARDS

To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a grantee who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any such Award may not be accelerated except to the extent permitted by Section 409A.

SECTION 17. TERMINATION OF EMPLOYMENT, TRANSFER, LEAVE OF ABSENCE, ETC.

(a) Termination of Employment. If the grantee's employer ceases to be a Subsidiary, the grantee shall be deemed to have terminated employment for purposes of the Plan.

(b) For purposes of the Plan, the following events shall not be deemed a termination of employment:

(i) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 18. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Except as provided in Section 3(c) or 3(d), without prior stockholder approval, in no event may the Administrator (a) exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights; (b) effect repricing of Stock Options or Stock Appreciation Rights through cancellation and re-grants of Stock Options, Stock Appreciation Rights or other Awards; or (c) effect repricing through cancellation of Stock Options or Stock Appreciation Rights in exchange for cash. To the extent required under the rules of any securities exchange or market system on which the Stock is listed, to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 18 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(c) or 3(d).

SECTION 19. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 20. GENERAL PROVISIONS

(a) No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Delivery of Stock. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver shares of Stock pursuant to the exercise of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that such issuance and delivery is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. All Stock delivered pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 20(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the grantee with respect to an Award.

(d) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(e) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Clawback Policy. Awards under the Plan shall be subject to the Company's clawback policy, as in effect from time to time.

(g) Awards Granted Under Prior Plans. Notwithstanding anything herein to the contrary, equity awards granted under the Company's prior equity incentive plans, including, without limitation the iRobot Corporation Amended and Restated 2004 Stock Option and Incentive Plan, the iRobot Corporation 2005 Stock Option and Incentive Plan, as amended and the Evolution Robotics 2007 Stock Plan (collectively, the "Prior Plans"), shall continue to be governed by the terms and conditions of the Prior Plan under which such awards were granted.

SECTION 21. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules. No grants of Stock Options and other Awards may be made hereunder after the tenth anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the Plan is approved by the Board.

SECTION 22. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS: April 1, 2015

DATE APPROVED BY STOCKHOLDERS:

ANNEX B

PROPOSED AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION

The following are proposed changes to our Certificate of Incorporation as described in Proposal 4. The text indicated by underline will be added, and the text indicated by strike-through will be deleted.

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

IROBOT CORPORATION

iRobot Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is iRobot Corporation. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was December 20, 2000 (the "Original Certificate"). The name under which the Corporation filed the Original Certificate was iRobot Corporation.
2. This Amended and Restated Certificate of Incorporation (the "Certificate") amends, restates and integrates the provisions of the Amended and Restated Certificate of Incorporation that was filed with the Secretary of State of the State of Delaware on ~~October 26~~ **November 15**, 2005 (the "Amended and Restated Certificate"), and was duly adopted in accordance with the provisions of Sections 242 and 245 of the Delaware General Corporation Law (the "DGCL").
3. The text of the Amended and Restated Certificate is hereby amended and restated in its entirety to provide as herein set forth in full.

ARTICLE I

The name of the Corporation is iRobot Corporation.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

CAPITAL STOCK

The total number of shares of capital stock which the Corporation shall have authority to issue is One Hundred Five Million (105,000,000) shares, of which (i) One Hundred Million (100,000,000) shares shall be a class designated as common stock, par value \$0.01 per share (the "Common Stock"), and (ii) Five Million (5,000,000) shares shall be a class designated as undesignated preferred stock, par value \$0.01 per share (the "Undesignated Preferred Stock").

The number of authorized shares of the class of Common Stock and Undesignated Preferred Stock may from time to time be increased or decreased (but not below the number of shares outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote, without a vote of the holders of the Undesignated Preferred Stock (except as otherwise provided in any certificate of designations of any series of Undesignated Preferred Stock).

The powers, preferences and rights of, and the qualifications, limitations and restrictions upon, each class or series of stock shall be determined in accordance with, or as set forth below in, this Article IV.

A. COMMON STOCK

Subject to all the rights, powers and preferences of the Undesignated Preferred Stock and except as provided by law or in this Article IV (or in any certificate of designations of any series of Undesignated Preferred Stock):

(a) the holders of the Common Stock shall have the exclusive right to vote for the election of directors of the Corporation (the “Directors”) and on all other matters requiring stockholder action, each outstanding share entitling the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate (or on any amendment to a certificate of designations of any series of Undesignated Preferred Stock) that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Undesignated Preferred Stock if the holders of such affected series are entitled to vote, either separately or together with the holders of one or more other such series, on such amendment pursuant to this Certificate (or pursuant to a certificate of designations of any series of Undesignated Preferred Stock) or pursuant to the DGCL;

(b) dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of dividends, but only when and as declared by the Board or any authorized committee thereof; and

(c) upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock.

B. UNDESIGNATED PREFERRED STOCK

The Board of Directors or any authorized committee thereof is expressly authorized, to the fullest extent permitted by law, to provide for the issuance of the shares of Undesignated Preferred Stock in one or more series of such stock, and by filing a certificate pursuant to applicable law of the State of Delaware, to establish or change from time to time the number of shares of each such series, and to fix the designations, powers, including voting powers, full or limited, or no voting powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereof.

ARTICLE V

STOCKHOLDER ACTION

1. Action without Meeting. Except as otherwise provided herein, any action required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders and may not be taken or effected by a written consent of stockholders in lieu thereof.

2. Special Meetings. Except as otherwise required by statute and subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation.

ARTICLE VI

DIRECTORS

1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided herein or required by law.

2. Election of Directors. Election of Directors need not be by written ballot unless the By-laws of the Corporation (the “By-laws”) shall so provide.

3. Number of Directors; Term of Office. The number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The Directors, other than those who may be elected by the holders of any series of Undesignated Preferred Stock, shall be classified, with respect to the term for which they severally hold office, into three classes, as nearly equal in number as reasonably possible. ~~The initial Class I Directors of the Corporation shall be Colin M. Angle and Ronald Chwang; the initial Class II Directors of the Corporation shall be Helen Greiner, George C. McNamee and Peter Meekin; and the initial Class III Directors of the Corporation shall be Rodney A. Brooks, Andrea Geisser and Jacques S. Gansler. The initial Class I Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2006, the initial Class II Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2007, and the initial Class III Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2008.~~ At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Notwithstanding the foregoing, the Directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier resignation, death or removal.

Notwithstanding the foregoing, whenever, pursuant to the provisions of Article IV of this Certificate, the holders of any one or more series of Undesignated Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect Directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate and any certificate of designations applicable thereto.

4. Vacancies. Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, and not by the stockholders. Any Director appointed in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal. Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors, when the number of Directors is increased or decreased, the Board of Directors shall, subject to Article VI.3 hereof, determine the class or classes to which the increased or decreased number of Directors shall be apportioned; provided, however, that no decrease in the number of Directors shall shorten the term of any incumbent Director. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, shall exercise the powers of the full Board of Directors until the vacancy is filled.

5. Removal. Subject to the rights, if any, of any series of Undesignated Preferred Stock to elect Directors and to remove any Director whom the holders of any such stock have the right to elect, any Director (including persons elected by Directors to fill vacancies in the Board of Directors) may be removed from office (i) only with cause and (ii) only by the affirmative vote of the ~~holders of 75% or more~~ majority of the shares then entitled to vote at an election of Directors. At least forty-five (45) days prior to any meeting of stockholders at which it is proposed that any Director be removed from office, written notice of such proposed removal and the alleged grounds thereof shall be sent to the Director whose removal will be considered at the meeting.

ARTICLE VII

LIMITATION OF LIABILITY

A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (a) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL or (d) for any transaction from which the Director derived an improper personal benefit. If the DGCL is amended after the effective date of this Certificate to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Any repeal or modification of this Article VII by either of (i) the stockholders of the Corporation or (ii) an amendment to the DGCL, shall not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or modification of a person serving as a Director at the time of such repeal or modification.

ARTICLE VIII

AMENDMENT OF BY-LAWS

1. Amendment by Directors. Except as otherwise provided by law, the By-laws of the Corporation may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the Directors then in office.

2. Amendment by Stockholders. The By-laws of the Corporation may be amended or repealed at any annual meeting of stockholders, or special meeting of stockholders called for such purpose as provided in the By-laws, by the affirmative vote of ~~at least 75%~~ **the majority** of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class; ~~provided, however, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class.~~

ARTICLE IX

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend or repeal this Certificate in the manner now or hereafter prescribed by statute and this Certificate, and all rights conferred upon stockholders herein are granted subject to this reservation. Whenever any vote of the holders of voting stock is required to amend or repeal any provision of this Certificate, and in addition to any other vote of holders of voting stock that is required by this Certificate or by law, such amendment or repeal shall require the affirmative vote of the majority of the outstanding shares entitled to vote on such amendment or repeal, and the affirmative vote of the majority of the outstanding shares of each class entitled to vote thereon as a class, at a duly constituted meeting of stockholders called expressly for such purpose; ~~provided, however, that the affirmative vote of not less than 75% of the outstanding shares entitled to vote on such amendment or repeal, and the affirmative vote of not less than 75% of the outstanding shares of each class entitled to vote thereon as a class, shall be required to amend or repeal any provision of Article V, Article VI, Article VII, Article VIII or Article IX of this Certificate.~~

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended December 27, 2014

OR

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

Commission file no. 001-36414

iROBOT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

8 Crosby Drive, Bedford, MA

(Address of principal executive offices)

77-0259 335

(I.R.S. Employer
Identification No.)

01730

(Zip Code)

(781) 430-3000

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Common Stock, \$0.01 par value per share The NASDAQ Stock Market LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check-mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check-mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Smaller reporting company

(Do not check if a 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 aggregate market value of the Common Stock held by nonaffiliates of the registrant was approximately \$1,160,000,000 based on the last reported sale of the Common Stock on the NASDAQ Global Market on June 28, 2014.

As of February 9, 2015, there were 29,672,165 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 27, 2014. Portions of such Proxy Statement are incorporated by reference into Part III of this Form 10-K.

Form 10-K

iROBOT CORPORATION
ANNUAL REPORT ON FORM 10-K
Year Ended December 27, 2014
TABLE OF CONTENTS

	<u>Page</u>
Part I	
Item 1. Business	3
Item 1A. Risk Factors	11
Item 1B. Unresolved Staff Comments	20
Item 2. Properties	20
Item 3. Legal Proceedings	21
Item 4. Mine Safety Disclosures	21
Part II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6. Selected Financial Data	23
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	39
Item 8. Financial Statements and Supplementary Data	40
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	66
Item 9A. Controls and Procedures	66
Item 9B. Other Information	68
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	68
Item 11. Executive Compensation	68
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	68
Item 13. Certain Relationships and Related Transactions, and Directors Independence	68
Item 14. Principal Accounting Fees and Services	68
Part IV	
Item 15. Exhibits, Financial Statement Schedules	68

PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K contains forward-looking statements. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations, and plans for product development and manufacturing are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss certain of these risks in greater detail in the "Risk Factors" section and elsewhere in this Annual Report on Form 10-K. Also, these forward-looking statements speak only as of the date of this Annual Report on Form 10-K, and we have no plans to update our forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report. We caution readers not to place undue reliance upon any such forward-looking statements.

iRobot, Roomba, Ava, Scooba, Mint, ViPR, NorthStar, Create, PackBot, FirstLook, iAdapt, Aware, Home Base, Looj, Braava, Kobra, AeroForce, uPoint, AeroVac, Mirra, and Virtual Wall are trademarks of iRobot Corporation.

Overview

iRobot Corporation ("iRobot" or the "Company" or "we") designs and builds robots that empower people to do more. For nearly 25 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.

Since our founding, we have accumulated expertise in all the disciplines necessary to design and 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 growth we expect in the market for robot-based products. We believe that the sophisticated technologies in our existing applications are adaptable to a broad array of markets such as law enforcement, homeland security, commercial cleaning, elder care, energy services, home automation, healthcare, video collaboration, landscaping, agriculture, construction and other vertical markets.

Over the past twelve years, we have sold more than 13 million of our home care robots. During that time, we also sold more than 5,000 of our defense and security robots, most of which have been sold to the U.S. military and deployed on missions in Afghanistan and Iraq, and more recently to state, local and international government entities. In 2013, we began selling remote presence telemedicine robots to InTouch Health for resale into the healthcare market as part of our joint development collaboration with InTouch Health. In 2014, we began selling the Ava 500 Video Collaboration robot, a remote presence solution for the enterprise market.

Our total revenue for 2014 was \$556.8 million, which represents a 14% increase from 2013 revenue of \$487.4 million. This increase in revenue was attributable to a \$79.6 million increase in revenue in our home robots business as a direct result of growth in both domestic and international markets, which was primarily driven by expanded distribution of our Roomba 800 series robot worldwide, growth in China and the replacement of the Roomba 500 series robot with the higher-priced Roomba 600 series in club stores. The increase in home robots revenue was partially offset by a decrease in revenue of \$4.5 million in our defense and security business related to reductions in new unmanned ground vehicle robots, associated with ongoing budget reductions within the U.S. government. We began selling our remote presence robots into the healthcare market and the enterprise market in 2013 and 2014, respectively. However, these sales have not yet generated meaningful revenue. Our home robots revenue represented 91% of our total 2014 revenue compared to 88% in 2013. We anticipate that our revenue for the next few years will be primarily driven by our rapidly growing home robots business and that our home robots revenue will continue to comprise approximately 90% of our total revenue in the near term.

We achieved a number of significant milestones in 2014 which we believe will assist us in continuing to generate profitable growth in 2015 and beyond. In particular:

- We significantly expanded the distribution of our Roomba 800 series robot, featuring our new AeroForce Performance Cleaning System. Significant revenue and margin contribution, along with high customer ratings have made the Roomba 800 launch one of our most successful to date.
- We continued to increase our investment in marketing programs in our home robots business, which resulted in greater brand awareness and revenue growth. Our strategy in 2015 will be similar with continued focus on brand awareness and customer conversion.
- We announced the uPoint Multi-Robot Control (MRC) system, a universal control system for our line of defense and security robots. The uPoint MRC system, which is our first multi-robot tablet controller, provides precise and reliable control through an intuitive interface for any of our unmanned ground vehicles.
- We launched the Ava 500 Video Collaboration robot which blends our autonomous navigation capabilities with Cisco's TelePresence, to enable people working off-site to participate in meetings, presentations and events where movement and location spontaneity are important.
- We continued our successful Science, Technology, Engineering and Math (STEM) outreach program with the launch of Create 2, a preassembled robot platform that gives educators, students and developers firsthand robotic programming experience.
- We have seen significant growth in sales into China due to strong demand for our products, and this region will continue to be a focus of our Company.

Strategy

We are a technology company with the goal of designing and marketing innovative robots that empower people to do more. Every robot is created with a person in mind. We strive to drive innovation, serve as an industry catalyst and change the world by fueling the era of robots. We intend to increase the penetration of our products in existing markets, expand existing products into new markets, and develop and launch new products into current and adjacent markets. Our strategy is to maintain a leadership position by delivering robotic technology-based remote presence and automated home maintenance solutions that delight our customers and anticipate their needs, while extending our technical leadership in the areas of autonomous navigation, manipulation and cloud connectivity and services. With increasing levels of autonomy, continued mobility improvements, more sophisticated sensor suites and advanced human interfaces, remote presence systems will expand in effectiveness and efficiency and reduce the requirements for actual physical operator presence and control. In the area of automated home maintenance, we seek to improve the quality of life with robotic solutions requiring as little human physical intervention as possible. Key elements of our strategy include:

Talent: Investing in our people and our culture. To develop and integrate the best technology and to be the most innovative robotics company, we must attract the most talented people across our functional areas. Our success is directly related to the talents and abilities of our workforce, and to a culture, work environment and leadership that supports its development and growth. Our strategy focuses on transforming our company into one of the most attractive workplaces for those seeking to participate in the robotics field.

Technology: Investing in robotic technology and products to build better robots. A better robot lives in our world by moving around its environment more intelligently, by cooperating with the people it serves more compellingly, and by physically interacting with its surroundings more effectively. We strive to achieve and sustain world leadership with best-in-class technology in the areas of autonomy, navigation, cloud robotics and manipulation. Our superiority in user experience comes from leveraging the powerful capabilities of the connected world combined with thoughtful, intuitive design. We are committed to developing, maturing and integrating these technologies to support our business and make these a reality in our products. We implement these technologies with strict cost requirements to support our high-margin, profitable business model.

Tempo: Investing to improve our agility, speed and operational efficiency. We strive to increase our pace of innovation and bring compelling products to market more quickly in a cost-effective and highly reliable form. We are committed to refining our innovation and product development culture and processes to deliver results faster by increasing the pace of development, gaining efficiencies through designing and leveraging modular architecture and reusable hardware and software components across products, and utilizing remote software updates and cloud computing to provide rapid cycles for release of new features in the installed base of our products.

Brand. We invest in building a company with a vision, that strives to solve difficult problems, and empowers people to do more. We strive to achieve this image by designing high-quality robots with a recognizable look and feel and a streamlined ease of use, by employing impactful marketing, and by continuing to give back to the community. We invest in building and advertising one unified, global brand across all of our business units.

Technology

We are focused on behavior-based, artificially-intelligent systems developed to meet customer requirements in multiple market segments. Our systems are designed to move around their environments intelligently, by cooperating with the people they serve and by physically interacting with their surroundings.

Our robots rely on technology related to navigation, cloud robotics and manipulation to accomplish their missions autonomously.

Autonomy. Our robots employ intelligent autonomy because, without autonomy, robots require human attention. Autonomy requires, among other things, advanced navigation and dynamically updated mapping. We seek to achieve and sustain a leadership position in navigation and mapping to enable a higher level of autonomy.

Navigation. Our mobile robots navigate through their environment in a variety of ways. Some do it simply by reacting to encounters with obstacles. Others use more sophisticated means that make use of maps to plan out paths, track their travel, and determine their location in the environment. Intelligent navigation empowers our robots to operate autonomously with purposeful intent. Autonomous navigation is the key enabler for our current products, ranging from smarter robotic floor care products to autonomous Ava 500 robots and unmanned ground vehicles.

Cloud Robotics. Connectivity and cloud services are important because they can leverage additional computational resources and capabilities. Cloud robotics refers to cloud-based shared services that solve robotic challenges and enhance robots' capabilities. By using the power of off-board computing and storage, it is possible to develop algorithms that aid with object recognition, post-process and store large maps, and share data between multiple robots operating in the same environment. Cloud robotics allows our robots to maintain operating duration and mobility while continuing to implement advanced technology.

Manipulation. Manipulation means physically interacting with the world to move or control objects. It is ultimately what sets robots apart from any other technology. It includes, but is not limited to, arms, hands and jamming balloons. For example, our defense and security robots employ manipulation capabilities with varying lifting capacity and range of motion.

Combining these four components, we have created proprietary, reusable building blocks of robotics capabilities, including mobility platforms, manipulators, navigation and control algorithms and user interfaces. Our technology building blocks typically allow us to take a known platform and modify it for a new mission instead of starting from scratch for each application. We believe this allows us to design and develop innovative robots quickly and cost-effectively.

Products

We design and market robots for the consumer, defense and security, telemedicine, and mobile video collaboration markets. With over two decades of leadership in the robot industry, we remain committed to establishing robot and software platforms for invention and discovery, building key partnerships to develop mission-critical payloads and creating robots that improve the standards of safety and living worldwide.

Consumer Products

We sell various products that are designed for use in and around the home. Our current consumer products are focused on both indoor and outdoor cleaning applications. We believe our consumer products provide value to our customers by delivering a better way to clean and by freeing people from repetitive home cleaning tasks.

We currently offer multiple Roomba floor vacuuming robots with varying price points ranging from \$299 to \$699 based upon features and performance characteristics. Our Roomba robot's compact disc shape allows it to clean under kick boards, beds and other furniture, resulting in cleaner floors since the Roomba can access more of the floor than standard upright vacuum cleaners. In addition, Roomba eliminates the need to manually vacuum -- it cleans automatically upon the push of a button or through scheduling. The Roomba 600 series robots offer a three-stage cleaning system which thoroughly vacuums every section of the floor multiple times, as well as AeroVac technology and improved brush design enabling the robot to better handle fibers like hair, pet fur, lint and carpet fuzz. The Roomba 700 series robots offer improved debris pick up, a larger debris bin that vigorously pulls debris and hair off brushes into the bin, and dual HEPA air filters that capture dust particles as fine as 0.3 microns. In 2013, we introduced the revolutionary Roomba 800 series robots that incorporate new brushless, counter-rotating extractors that amplify suction for superior performance over bristle brushes, while requiring less maintenance than previous Roomba models.

We currently offer the Braava automatic floor mopping robots designed exclusively for hard surface floors with a price of \$299 based upon performance features. These robots provide a different cleaning approach than our Roomba products. The Braava automatically dusts and damp mops hard surface floors using popular cleaning cloths or our specially designed reusable microfiber cloths, and includes a special reservoir that dispenses liquid throughout the cleaning cycle to keep the cloth damp.

In January 2014, we introduced the Scooba 450 floor scrubbing robot with a price point of \$599. Unlike a conventional mop that spreads dirty water on the floor, Scooba will apply only fresh water and cleaning solution to the floor from a clean tank. Scooba will clean dirt and grime, is safe for use on all sealed, hard floor surfaces, including wood and tile, and is smart enough to avoid carpet. The Scooba 450 uses the new Scooba Three-Cycle Cleaning Process that automatically sweeps and pre-soaks, scrubs and finishes with a final squeegee while washing away bacteria.

Our Mirra Pool Cleaning Robot is used to clean residential pools and removes debris as small as two microns from pool floors, walls and stairs. Mirra is brought to market under the iRobot brand through a relationship with Aquatron, Inc., which developed the pool cleaning robots. Our Looj Gutter Cleaning Robot was designed to simplify the difficult and dangerous job of gutter cleaning. The Looj cleans an entire stretch of gutter, reducing the number of times a ladder must be repositioned and climbed during gutter cleaning. The Looj also features a detachable handle that doubles as a wireless remote control, providing full control of the robot while cleaning.

Defense and Security Products

In defense and security product markets, we currently offer several unmanned ground vehicles. Our tactical ground robots include the combat-tested 510 PackBot, the 310 SUGV, the 110 FirstLook small, light, throwable robot, and the 710 Kobra multi-purpose robot capable of carrying heavy payloads. The PackBot, SUGV, FirstLook, and Kobra robots comprise a family of robots using many common platform components and offer our patented flipper technology that enables robots to easily climb stairs, navigate rubble, and penetrate inaccessible areas. These robots, which will begin to utilize the uPoint MRC system in 2015, a universal control system for our line of defense and security robots, are designed to keep war fighters and public safety officials out of harm's way and are designed for high-performance, durability and ease of use while performing search, reconnaissance, mapping, bomb disposal and other dangerous missions. As of December 27, 2014, we have delivered more than 5,000 robots to military and civil defense forces and research communities worldwide. The robots are currently priced between approximately \$20,000 and \$600,000 per unit, depending on model, configuration and quantities ordered.

We continue to refine the PackBot product line, focusing on enhanced modularity and providing new capabilities to support a variety of mission scenarios. Our unique Aware 2 software is incorporated into the advanced 510 PackBot chassis and operator control unit. As a result, PackBot can support multiple configurations and payloads with the same chassis and operator control unit, providing customers with a single robot capable of performing a variety of missions. We also utilize Configure-To-Order (CTO) procurement options for our commercial 510 PackBot, allowing customers to tailor the product to their specific mission needs. The combined benefits of the Aware 2 software and CTO procurement options establish the 510 PackBot as a truly modular multi-mission robotic platform.

The 110 FirstLook is an expandable, lightweight robot that performs persistent observation and investigates dangerous and hazardous material while keeping its operator out of harms way. The 310 SUGV is a lightweight, backpackable robot well-suited to dismounted operations. It has a modular design that accommodates a wide range of optional payloads and sensors, including a dexterous manipulator, and can easily climb stairs, roll over obstacles and enter inaccessible and dangerous areas. The 710 Kobra is a powerful, rugged, fast robot that supports or carries multiple and heavy payloads, and can lift up to 330 pounds.

Remote Presence Products

We currently have two products based upon our Ava mobile robotics platform. The U.S. Federal Drug and Administration approved RP-VITA telemedicine robot expands the reach of medical care by connecting physicians with patients from anywhere in the world. The RP-VITA combines the latest in autonomous navigation and mobility technologies developed by iRobot with the state-of-the-art telemedicine and electronic health record integration developed by InTouch Health. The RP-VITA, which is sold to healthcare customers by InTouch Health, was introduced in 2012 and began shipping in early 2013. Our Ava 500 Video Collaboration robot, which we began selling in 2014, delivers autonomous telepresence to the enterprise market, enabling remote workers to more personally collaborate throughout the workplace. The Ava 500 blends together our autonomous navigation capabilities with Cisco's TelePresence to enable people working off-site to participate in meetings, presentations and events where movement and location spontaneity are important.

Strategic Alliances

In addition to our internal technology development, we leverage relevant robotic technologies through licensing, acquisitions and/or other partnerships. These strategic alliances are an important part of our product development and distribution strategies. We rely on strategic alliances to provide technology, complementary product offerings and increased and quicker access to markets. We seek to form relationships with organizations that can provide best-in-class technology or market advantages for establishing iRobot technology in new market segments.

In 2011, we signed a joint development and licensing agreement with InTouch Health, a leading remote presence telemedicine solution provider, to explore potential opportunities for healthcare applications on iRobot platforms such as the Ava mobile robotics platform. This alliance resulted in the introduction in 2012 of the RP-VITA, the first autonomous navigation remote presence robot to receive U.S. Food and Drug Administration clearance for use in hospitals. The RP-VITA combines the latest in autonomous navigation and mobility technologies developed by iRobot with the state-of-the-art telemedicine and electronic health record integration developed by InTouch Health. Shipments of the RP-VITA began in early 2013.

In 2013, we signed a joint marketing agreement and have worked in close alliance with Cisco to bring our enterprise-grade Ava 500 Video Collaboration robot to market. The Ava 500, which blends together our autonomous navigation capabilities with Cisco's TelePresence to enable people working off-site to participate in meetings, presentations and events where movement and location spontaneity are important, began shipping in 2014 on a limited basis.

Our strategy of working closely with third parties extends to the design of our products. By offering extensible platforms designed to carry payloads, we have designed and manufactured our products to leverage the work of those individuals and organizations that offer specialized technological expertise. The PackBot, Kobra and FirstLook robots are designed with open interfaces that allow third-party developers to add payloads to our robots, improving their functionality.

Sales and Distribution Channels

We sell our products through distinct sales channels to the consumer, defense and security, telemedicine, and video collaboration markets. For the fiscal years ended December 27, 2014, December 28, 2013, and December 29, 2012, sales to non-U.S. customers accounted for 60.9%, 59.5% and 57.3% of total revenue, respectively. For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, U.S. federal government orders, contracts and subcontracts accounted for 4.3%, 6.2% and 15.1% of total revenue, respectively. For the years ended December 27, 2014, December 28, 2013 and December 29, 2012, we generated an aggregate of 29.8%, 33.2% and 30.6% of our revenue, respectively from our home robots distributor in Japan (Sales on Demand Corporation) and a network of affiliated European distributors of our home robots.

Home Robots

In the United States and Canada, we sell our consumer products through a network of national retailers. In 2014, this network consisted of more than 30 retailers which often sell either one or some combination of our products. Certain smaller domestic retail operations are supported by distributors to whom we sell our products directly. In support of sales in the United States and Canada, we maintain an in-house sales and product management team. Outside of the United States and Canada, our products have been sold in more than 50 countries, primarily through a network of in-country distributors who resell to retail stores in their respective countries. These distributors are supported by our international sales and product marketing team.

Our retail and distributor networks are our primary distribution channels for our consumer products. We also offer products direct-to-consumer through our domestic and international on-line stores, representing 6.1%, 5.9% and 6.3% of total home robots business unit revenue for fiscal 2014, 2013 and 2012, respectively. We have established valuable databases and customer lists that allow us to target directly those consumers most likely to purchase a new robot or upgrade. We believe we maintain a close connection with our customers in each of our markets, which provides an enhanced position from which to improve our distribution and product offerings.

Defense and Security

We sell our defense and security products directly to end users and indirectly through prime contractors and distributors. While the majority of defense and security products have been sold to date to various operations within the U.S. federal government, we also sell to state and local agencies as well as to international government organizations, research labs, nuclear and industrial companies and universities. Our military products are sold overseas in compliance with the International Traffic in Arms Regulations, or ITAR. We have sold our products to the governments of various countries in the past several years, including the United Kingdom, France, Germany, Sweden, Norway, Italy, Brazil, Pakistan, Israel, Australia, Republic of Korea, Singapore, Bosnia, Lithuania, Qatar, Taiwan, South Africa and Canada.

Remote Presence

The RP-VITA telemedicine robot, which was jointly developed with InTouch Health and incorporates our Ava mobile robotics platform, is sold to healthcare customers by InTouch Health. Our Ava 500 Video Collaboration robot, which incorporates our Ava mobile robotics platform and Cisco's TelePresence, is available from certified Cisco partners on a limited basis.

Customer Service and Support

We also provide ongoing customer service and support. Consumer customer service representatives, the majority of whom are employees of outsourced service organizations or our distribution partners, are extensively trained on the technical intricacies of our consumer products. Defense and security customer representatives are usually former military personnel who are experienced in logistical and technical support requirements for military operations. Customer service for the RP-VITA product is provided by InTouch Health. Customer service for the Ava 500 is provided by iRobot.

Marketing and Brand

We market our home robots to end-user customers through our sales and marketing teams as well as through our extensive network of retailers and in-country distributors. We market our defense and security products directly through our team of government sales specialists to end users and indirectly through prime contractors. The RP-VITA product is marketed to healthcare customers by InTouch Health while our Ava 500 Video Collaboration product is marketed to enterprise customers by a combination of our sales and marketing teams in conjunction with select Cisco partners. Our website is also playing an increasing role in supporting brand awareness, addressing customer questions and serving as a showcase for our products.

Our marketing strategy is to increase our brand awareness and associate the iRobot brand with innovation, reliability, safety and value. Our sales and marketing expenses represented 15.5%, 14.7% and 15.2% of our total revenue in 2014, 2013 and 2012, respectively. We expect to continue to invest in national advertising, consumer and industry trade shows, direct marketing and public relations to further build brand awareness.

We believe that we have built a trusted, recognized brand by providing high-quality robots. We believe that customer word-of-mouth has been a significant driver of our brand's success to date, which can work very well for products that inspire a high level of user loyalty because users are likely to share their positive experiences. Our grass-roots marketing efforts focus on feeding this word-of-mouth momentum and we use public relations as well as advertising to promote our products.

Our innovative robots and public relations campaigns have generated extensive press coverage, and iRobot and our consumer robots have won several awards. Through these efforts, we have been able to build our brand, and we expect that our reputation for innovative products and customer support will continue to play a significant role in our growth and success.

Manufacturing

Our core competencies are the design, development and marketing of robots. Our manufacturing strategy is to outsource non-core competencies, such as the production of our robots, to third-party entities skilled in manufacturing. By relying on the outsourced manufacture of our consumer, military and remote presence robots, we can focus our engineering expertise on the design of robots.

Manufacturing a new product requires a close relationship between our product designers and the manufacturing organizations. Using multiple engineering techniques, our products are introduced to the selected production facility at an early-development stage and the feedback provided by manufacturing is incorporated into the design before tooling is finalized and mass production begins. As a result, we believe that we can significantly reduce the time required to move a product from its design phase to mass production deliveries, with improved quality and yields.

We outsource the manufacturing of our consumer products to four contract manufacturers, each of which manufactures at a single plant in China. We outsource the manufacturing of our defense and security robots to three contract manufacturers, all of which are located in the United States. We outsource our Ava mobile robotics platform to one contract manufacturer located in the United States.

Research and Development

We believe that our future success depends upon our ability to continue to develop new products and product accessories, and enhancements to and applications for our existing products. For the years ended December 27, 2014, December 28, 2013 and December 29, 2012, our research and development expenses were \$69.4 million, \$63.6 million and \$57.1 million, or 12.5%, 13.1% and 13.1% of revenue, respectively. We intend to continue our investment in research and development to respond to and anticipate customer needs, and to enable us to introduce new products over the next few years that will continue to address our existing and adjacent market sectors.

Our research and development is conducted by teams dedicated to particular projects. Our research and development efforts are primarily located at our headquarters in Bedford, Massachusetts and our office in Pasadena, California.

Competition

The market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. We believe that a number of established

companies have developed or are developing robots that will compete directly with our product offerings, and many of our competitors have significantly more financial and other resources than we possess.

Our competitors include developers of robot floor cleaning products, developers of small unmanned ground vehicles, and developers of mobile robotic platforms and telepresence systems.

While we believe many of our customers purchase our Roomba floor vacuuming robots, Braava floor cleaning and Scooba floor washing robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners and wet floor cleaning methods, we do compete in some cases with providers of traditional cleaning products.

We believe that the principal competitive factors in the market for robots include product features, performance for the intended mission, cost of purchase, total cost of system operation, including maintenance and support, ease of use, integration with existing equipment, quality, reliability, customer support, brand and reputation.

Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support. We cannot provide assurance that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering the markets in which we provide products.

Intellectual Property

We believe that our continued success depends in large part on our proprietary technology, the intellectual skills of our employees and the ability of our employees to continue to innovate. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements, to establish and protect our proprietary rights.

As of December 27, 2014, we held 297 U.S. patents, more than 300 foreign patents, additional design registrations, and more than 400 patent applications pending worldwide. Our U.S. patents will begin to expire in 2019. We will continue to file and prosecute patent (or design registration, as applicable) applications when and where appropriate to attempt to protect our rights in our proprietary technologies. We also encourage our employees to continue to invent and develop new technologies so as to maintain our competitiveness in the marketplace. It is possible that our current patents, or patents which we may later acquire, may be successfully challenged or invalidated in whole or in part. It is also possible that we may not obtain issued patents for our pending patent applications or other inventions we seek to protect. In that regard, we sometimes permit certain intellectual property to lapse or go abandoned under appropriate circumstances and due to uncertainties inherent in prosecuting patent applications, sometimes patent applications are rejected and we subsequently abandon them. It is also possible that we may not develop proprietary products or technologies in the future that are patentable, or that any patent issued to us may not provide us with any competitive advantages, or that the patents of others will harm or altogether preclude our ability to do business.

Our registered U.S. trademarks include iRobot, Roomba, Ava, Scooba, Mint, ViPR, NorthStar, Create, PackBot, FirstLook, iAdapt, Aware, Home Base, Looj, Braava, Kobra, AeroForce, uPoint, AeroVac, Mirra, and Virtual Wall. Our marks iRobot, Roomba, Virtual Wall, Scooba, and certain other trademarks, have also been registered in selected foreign countries.

Our means of protecting our proprietary rights may not be adequate and our competitors may independently develop technology that is similar to ours. Legal protections afford only limited protection for our technology. The laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Despite our efforts to protect our proprietary rights, unauthorized parties have in the past attempted, and may in the future attempt, to copy aspects of our products or to obtain and use information that we regard as proprietary. Third parties may also design around our proprietary rights, which may render our protected products less valuable, if the design around is favorably received in the marketplace. In addition, if any of our products or the technology underlying our products is covered by third-party patents or other intellectual property rights, we could be subject to various legal actions. We cannot assure you that our products do not infringe patents held by others or that they will not in the future. We have received in the past communications from third parties relating to technologies used in our various robot products that have alleged infringement of patents or violation of other intellectual property rights. In response to these communications, we have contacted these third parties to convey our good faith belief that we do not infringe the patents in question or otherwise violate those parties' rights. Although there have been no additional actions or communications with respect to these allegations, we cannot assure you that we will not receive further correspondence from these parties, or not be subject to additional allegations of infringement from others. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity, misappropriation, or other claims. Any such litigation could result in substantial costs and diversion of our resources. Moreover, any settlement of or adverse judgment resulting from such litigation could require us to obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit our use of the technology. Any required licenses may not be available to us on acceptable terms, if at all. If we attempt to design around the technology at issue or to find another provider of suitable alternative technology to permit us to continue offering applicable software or product solutions, our continued supply of software or

product solutions could be disrupted or our introduction of new or enhanced software or products could be significantly delayed.

Regulations

We are subject to various government regulations, including various U.S. federal government regulations as a contractor and subcontractor to the U.S. federal government. Among the most significant U.S. federal government regulations affecting our business are:

- the Federal Acquisition Regulations and supplemental agency regulations, which comprehensively regulate the formation and administration of, and performance under government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of all cost and pricing data in connection with contract negotiations;
- the Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under cost-based government contracts;
- the Foreign Corrupt Practices Act, which prohibits U.S. companies from providing anything of value to a foreign official to help obtain, retain or direct business, or obtain any unfair advantages;
- the False Claims Act and the False Statements Act, which, respectively, impose penalties for payments made on the basis of false facts provided to the government, and impose penalties on the basis of false statements, even if they do not result in a payment; and
- laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

We also need special security clearances to continue working on and advancing certain of our projects with the U.S. federal government. Classified programs generally will require that we comply with various Executive Orders, federal laws and regulations and customer security requirements that may include restrictions on how we develop, store, protect and share information, and may require our employees to obtain government clearances.

The nature of the work we do for the federal government may also limit the parties who may invest in or acquire us. Export laws may keep us from providing potential foreign acquirers with a review of the technical data they would be acquiring. In addition, there are special requirements for foreign parties who wish to buy or acquire control or influence over companies that control technology or produce goods in the security interests of the United States. There may need to be a review under the Exon-Florio provisions of the Defense Production Act. Finally, the government may require a prospective foreign owner to establish intermediaries to actually run that part of the company that does classified work, and establishing a subsidiary and its separate operation may make such an acquisition less appealing to such potential acquirers.

In addition, the export from the United States of many of our products may require the issuance of a license by the U.S. Department of Commerce under the Export Administration Act, as amended, and its implementing Regulations as kept in force by the International Emergency Economic Powers Act of 1977, as amended. Some of our products may require the issuance of a license by the U.S. Department of State under the Arms Export Control Act and its implementing Regulations, which licenses are generally harder to obtain and take longer to obtain than do Export Administration Act licenses.

Our business may require the compliance with state or local laws designed to limit the uses of personal user information gathered online or require online services to establish privacy policies.

Defense and Security Product Backlog

Our defense and security product backlog consists of written orders or contracts to purchase our products received from our defense and security customers. Total backlog of product sales to defense and security customers, which includes federal, state, local and foreign governments, and non-government customers, as of December 27, 2014, December 28, 2013 and December 29, 2012 amounted to approximately \$18.2 million, \$8.8 million and \$11.4 million respectively. There can be no assurance that any of our backlog will result in revenue.

Employees

As of December 27, 2014, we had 572 full-time employees located in the United States and abroad. We believe that we have a good relationship with our employees.

Available Information

We were incorporated in California in August 1990 under the name IS Robotics, Inc. and reincorporated as IS Robotics Corporation in Massachusetts in June 1994. We reincorporated in Delaware as iRobot Corporation in December 2000. We conduct operations and maintain a number of subsidiaries in the United States and abroad, including operations in Hong Kong, the United Kingdom and China. We also maintain iRobot Securities Corporation, a Massachusetts securities corporation, to invest our cash balances on a short-term basis. Our website address is www.irobot.com. Our Annual Report on Form 10-K,

Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the investor relations page of our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Alternatively, these reports may be accessed at the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. 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. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer.

Risks Related to Our Business

We operate in an emerging market, which makes it difficult to evaluate our business and future prospects.

Robots represent a new and emerging market. Accordingly, our business and future prospects are difficult to evaluate. We cannot accurately predict the extent to which demand for consumer robots will increase, if at all. Moreover, there are only a limited number of programs under which the U.S. federal government is currently funding the development or purchase of defense robots. Our remote presence robot business remains in an investment stage, where market demand is uncertain. You should consider the challenges, risks and uncertainties frequently encountered by companies using new and unproven business models in rapidly evolving markets. These challenges include our ability to:

- generate sufficient revenue and gross margin to maintain profitability;
- acquire and maintain market share in our consumer and defense markets;
- attract and retain customers of our consumer robots;
- attract and retain additional engineers and other highly-qualified personnel;
- expand our product offerings beyond our existing robots; and
- adapt to new or changing policies and spending priorities of governments and government agencies.

If we fail to successfully address these and other challenges, risks and uncertainties, our business, results of operations and financial condition would be materially harmed.

Our financial results often vary significantly from quarter-to-quarter due to a number of factors, which may lead to volatility in our stock price.

Our quarterly revenue and other operating results have varied in the past and are likely to continue to vary significantly from quarter-to-quarter in the future. These fluctuations may be due to numerous factors including:

- the size, timing and mix of orders from retail stores and international distributors for our home care robots;
- the size and timing of orders from military and other government agencies;
- the mix of products that we sell in the period;
- disruption of supply of our products from our manufacturers;
- disruptions to our supply chain due to inclement weather, labor disruptions or other factors beyond our control;
- seasonality in the sales of our military and consumer products;
- unanticipated costs incurred in the introduction of new products;
- costs and availability of labor and raw materials;
- costs of freight;
- changes in our rate of returns for our consumer products;
- our ability to introduce new products and enhancements to our existing products on a timely basis;
- warranty costs associated with our consumer products;
- the amount of government funding and the political, budgetary and purchasing constraints of our government agency customers; and
- cancellations, delays or contract amendments by government agency customers.

We cannot be certain that our revenues will grow at rates that will allow us to maintain profitability during every fiscal quarter, or even every fiscal year. We base our current and future expense levels on our internal operating plans and sales forecasts, including forecasts of holiday sales for our consumer products. A significant portion of our operating expenses, such

as research and development expenses, certain marketing and promotional expenses and employee wages and salaries, do not vary directly with sales and are difficult to adjust in the short term. As a result, if sales for a quarter are below our expectations, we might not be able to reduce operating expenses for that quarter and, therefore, we would not be able to reduce our operating expenses for the fiscal year. Accordingly, a sales shortfall during a fiscal quarter, and in particular the fourth quarter of a fiscal year, could have a disproportionate effect on our operating results for that quarter or that year. Because of quarterly fluctuations, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful. Moreover, our operating results may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our common stock could fall substantially either suddenly or over time.

Global economic conditions and any associated impact on consumer spending could have a material adverse effect on our business, results of operations and financial condition.

Continued economic uncertainty and reductions in consumer spending, particularly in certain international markets such as the European Union and Japan, may result in reductions in sales of our consumer robots. Additionally, disruptions in credit markets may materially limit consumer credit availability and restrict credit availability of our retail customers, which would also impact purchases of our consumer robots. Any reduction in sales of our consumer robots, resulting from reductions in consumer spending or continued disruption in the availability of credit to retailers or consumers, could materially and adversely affect our business, results of operations and financial condition.

Because we are a global business that in 2014 generated approximately 61% of our total revenue from sales to customers outside of the United States, we are subject to a number of additional risks including foreign currency fluctuations. These fluctuations may make our products more expensive to our distributors, which in turn may impact sales directly or the ability or willingness of our distribution partners to invest in growing product demand.

The majority of our business currently depends on our consumer robots, and our sales growth and operating results would be negatively impacted if we are unable to enhance our current consumer robots or develop new consumer robots at competitive prices or in a timely manner, or if the consumer robot market does not achieve broad market acceptance.

For the years ended December 27, 2014 and December 28, 2013, we derived 91.1% and 87.8% of our total revenue from our consumer robots, respectively. For the foreseeable future, we expect that a significant portion of our revenue will be derived from sales of consumer robots in general and home floor care products in particular. Accordingly, our future success depends upon our ability to further penetrate the consumer home care market, to enhance our current consumer products and develop and introduce new consumer products offering enhanced performance and functionality at competitive prices. The development and application of new technologies involve time, substantial costs and risks. Our inability to achieve significant sales of our newly introduced robots, or to enhance, develop and introduce other products in a timely manner, or at all, would materially harm our sales growth and operating results.

Even if consumer robots gain wide market acceptance, our robots may not adequately address market requirements and may not continue to gain market acceptance. If robots generally, or our robots specifically, do not gain wide market acceptance, we may not be able to achieve our anticipated level of growth, and our revenue and results of operations would suffer.

We depend on the U.S. federal government for a portion of our revenue, and any unexpected reduction in the amount of business that we do with the U.S. federal government would negatively impact our operating results and financial condition.

For the years ended December 27, 2014 and December 28, 2013, we derived 4.3% and 6.2% of our total revenue, respectively, directly or indirectly, from the U.S. federal government and its agencies. Further reduction in the amount of revenue that we derive from a limited number of U.S. federal government agencies without an offsetting increase in new sales to other customers would have a material adverse effect on our operating results.

Specifically, the defense industry in which we operate is dependent upon the level of equipment expenditures by the armed forces of countries throughout the world, and especially those of the United States, which represents a significant portion of world-wide defense expenditures. In prior years, the war on terror increased the level of equipment expenditures by the U.S. armed forces; however, this level of spending does not appear to be sustainable in light of government spending priorities by the U.S. and the continued winding down of U.S. armed forces operations in Iraq and Afghanistan.

Future sales of our military robots will depend largely on our ability to secure contracts with the U.S. military under its robot programs. We expect that there will continue to be only a limited number of programs under which U.S. federal government agencies will seek to fund the development of, or purchase, robots. Moreover, it is difficult to predict the timing of the award of government contracts and our revenue could fluctuate significantly based on the timing of any such awards.

We depend on single source manufacturers, and our reputation and results of operations would be harmed if these manufacturers fail to meet our requirements.

We currently depend largely on several single source contract manufacturers, for the manufacture of our various families of home care and defense products. All contract manufacturers for our home robots are located in China. These manufacturers supply substantially all of the raw materials and provide all facilities and labor required to manufacture our products. If these companies were to terminate their arrangements with us or fail to provide the required capacity and quality on a timely basis, we would be unable to manufacture our products until replacement contract manufacturing services could be obtained or volume transferred to an alternative manufacturing partner, each of which is a costly and time-consuming process. We cannot assure you that we would be able to establish alternative manufacturing arrangements on acceptable terms or in a timely manner.

Our reliance on these contract manufacturers involves certain risks, including the following:

- lack of direct control over production capacity and delivery schedules;
- lack of direct control over quality assurance, manufacturing yields and production costs;
- lack of enforceable contractual provisions over the production and costs of consumer products;
- risk of loss of inventory while in transit;
- risks associated with international commerce, including unexpected changes in legal and regulatory requirements, changes in tariffs and trade policies, risks associated with the protection of intellectual property and political and economic instability; and
- our attempts to add additional manufacturing resources may be significantly delayed and thereby create disruptions in production of our products.

Any interruption in the manufacture of our products would be likely to result in delays in shipment, lost sales and revenue and damage to our reputation in the market, all of which would harm our business and results of operations. In addition, while our contract obligations with our contract manufacturers in China are typically denominated in U.S. dollars, changes in currency exchange rates could impact our suppliers and increase our prices.

Any efforts to expand our product offerings beyond our current markets may not succeed, which could negatively impact our operating results.

We have focused on selling our robots in the home floor care and defense markets. We are actively expanding into new markets, in particular remote presence robots for telemedicine and business collaboration, and we plan to expand into other markets. Efforts to expand our product offerings beyond the markets that we currently serve, however, may divert management resources from existing operations and require us to commit significant financial resources to an unproven business, either of which could significantly impair our operating results. Moreover, efforts to expand beyond our existing markets may never result in new products that achieve market acceptance, create additional revenue or become profitable.

If we fail to maintain or increase consumer robot sales through our distribution channels, our operating results would be negatively impacted.

We do not have long-term contracts regarding purchase volumes with any of our retail partners. As a result, purchases generally occur on an order-by-order basis, and the relationships, as well as particular orders, can generally be terminated or otherwise materially changed at any time by our retail partners. A decision by a major retail partner, whether motivated by competitive considerations, financial difficulties, economic conditions or otherwise, to decrease its purchases from us, to reduce the shelf space for our products or to change its manner of doing business with us could significantly damage our consumer product sales and negatively impact our business, financial condition and results of operations. In addition, during recent years, various retailers, including some of our partners, have experienced significant changes and difficulties, including consolidation of ownership, increased centralization of purchasing decisions, restructurings, bankruptcies and liquidations. These and other financial problems of some of our retailers increase the risk of extending credit to these retailers. A significant adverse change in a retail partner relationship with us or in a retail partner's financial position could cause us to limit or discontinue business with that partner, require us to assume more credit risk relating to that partner's receivables or limit our ability to collect amounts related to previous purchases by that partner, all of which could harm our business and financial condition. Disruption of the iRobot on-line store could also decrease our home care robot sales.

Our contracts with the U.S. federal government contain certain provisions that may be unfavorable to us and subject us to government audits, which could materially harm our business and results of operations.

Our contracts and subcontracts with the U.S. federal government subject us to certain risks and give the U.S. federal government rights and remedies not typically found in commercial contracts, including rights that allow the U.S. federal government to:

- terminate contracts for convenience, in whole or in part, at any time and for any reason;
- reduce or modify contracts or subcontracts if its requirements or budgetary constraints change;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- exercise production priorities, which allow it to require that we accept government purchase orders or produce products under its contracts before we produce products under other contracts, which may displace or delay production of more profitable orders;
- claim certain rights in products provided by us; and
- control or prohibit the export of certain of our products.

Several of our prime contracts with the U.S. federal government do not contain a limitation of liability provision, creating a risk of responsibility for direct and consequential damages. Several subcontracts with prime contractors hold the prime contractor harmless against liability that stems from our work and do not contain a limitation of liability. These provisions could cause substantial liability for us, especially given the use to which our products may be put.

In addition, we are subject to audits by the U.S. federal government as part of routine audits of government contracts. As part of an audit, these agencies may review our performance on contracts, cost structures and compliance with applicable laws, regulations and standards. If any of our costs are found to be allocated improperly to a specific contract, the costs may not be reimbursed and any costs already reimbursed for such contract may have to be refunded. Accordingly, an audit could result in a material adjustment to our revenue and results of operations. Moreover, if an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with the government.

If any of the foregoing were to occur, or if the U.S. federal government otherwise ceased doing business with us or decreased the amount of business with us, our business and operating results could be materially harmed and the value of your investment in our common stock could be impaired.

Some of our contracts with the U.S. federal government allow it to use inventions developed under the contracts and to disclose technical data to third parties, which could harm our ability to compete.

Some of our contracts allow the U.S. federal government rights to use, or have others use, patented inventions developed under those contracts on behalf of the government. Some of the contracts allow the federal government to disclose technical data without constraining the recipient in how that data is used. The ability of third parties to use patents and technical data for government purposes creates the possibility that the government could attempt to establish additional sources for the products we provide that stem from these contracts. It may also allow the government the ability to negotiate with us to reduce our prices for products we provide to it. The potential that the government may release some of the technical data without constraint creates the possibility that third parties may be able to use this data to compete with us in the commercial sector.

We face intense competition from other providers of robots, including diversified technology providers, as well as competition from providers offering alternative products, which could negatively impact our results of operations and cause our market share to decline.

We believe that a number of companies have developed or are developing robots that will compete directly with our product offerings. Additionally, large and small companies, government-sponsored laboratories and universities are aggressively pursuing contracts for robot-focused research and development. Many current and potential competitors have substantially greater financial, marketing, research and manufacturing resources than we possess, and there can be no assurance that our current and future competitors will not be more successful than us. Moreover, while we believe many of our customers purchase our floor vacuuming robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners; we also compete in some cases with providers of traditional vacuum cleaners. Our competitors include developers of robot floor cleaning products, developers of small unmanned ground vehicles, and established government contractors working on unmanned systems.

The market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support.

In the event that the robot market expands further, we expect that competition will intensify as additional competitors enter the market and current competitors expand their product lines. Companies competing with us may introduce products that are competitively priced, have increased performance or functionality, or incorporate technological advances that we have not yet developed or implemented. Increased competitive pressure could result in a loss of sales or market share or cause us to lower prices for our products, any of which would harm our business and operating results.

We cannot assure you that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering the markets in which we provide products. Our failure to compete successfully could cause our revenue and market share to decline, which would negatively impact our results of operations and financial condition.

If critical components of our products that we currently purchase from a small number of suppliers become unavailable, we may incur delays in shipment, which could damage our business.

We and our outsourced manufacturers obtain hardware components, various subsystems, raw materials and batteries from a limited group of suppliers, some of which are sole suppliers. We do not have any long-term agreements with these suppliers obligating them to continue to sell components or products to us. If we or our outsourced manufacturers are unable to obtain components from third-party suppliers in the quantities and of the quality that we require, on a timely basis and at acceptable prices, we may not be able to deliver our products on a timely or cost-effective basis to our customers, which could cause customers to terminate their contracts with us, reduce our gross margin and seriously harm our business, results of operations and financial condition. Moreover, if any of our suppliers become financially unstable, we may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to re-tool our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an affordable cost, or at all.

Our products are complex and could have unknown defects or errors, which may give rise to claims against us, diminish our brand or divert our resources from other purposes.

Our robots rely on the interplay among behavior-based artificially intelligent systems, real-world dynamic sensors, user-friendly interfaces and tightly-integrated, electromechanical designs to accomplish their missions. Despite testing, our new or existing products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by our customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, exposure to liability for damages, mandatory or voluntary recall or product upgrades, damaged customer relationships and harm to our reputation, any of which could materially harm our results of operations and ability to achieve market acceptance. Our quality control procedures relating to the raw materials and components that it receives from third-party suppliers as well as our quality control procedures relating to its products after those products are designed, manufactured and packaged may not be sufficient. In addition, increased development and warranty costs, including the costs of any mandatory or voluntary recall, could be substantial and could reduce our operating margins. Moreover, because military robots are used in dangerous situations, the failure or malfunction of any of these robots, including our own, could significantly damage our reputation and support for robot solutions in general. The existence of any defects, errors, or failures in our products could also lead to product liability claims or lawsuits against us. A successful product liability claim could result in substantial cost, diminish our brand and divert management's attention and resources, which could have a negative impact on our business, financial condition and results of operations.

If we are unable to attract and retain additional skilled personnel, we may be unable to grow our business.

To execute our growth plan, we must attract and retain additional, highly-qualified personnel. Competition for hiring these employees is intense, especially with regard to engineers with high levels of experience in designing, developing and integrating robots. Many of the companies with which we compete for hiring experienced employees have greater resources than we have. If we fail to attract new technical personnel or fail to retain and motivate our current employees, our business and future growth prospects could be severely harmed.

We may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit our ability to use certain technologies in the future.

If the size of our markets increases, we would be more likely to be subject to claims that our technologies infringe upon the intellectual property or other proprietary rights of third parties. In addition, the vendors from which we license technology used in our products could become subject to similar infringement claims. Our vendors, or we, may not be able to withstand third-party infringement claims. Any claims, with or without merit, could be time-consuming and expensive, and could divert our management's attention away from the execution of our business plan. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts or obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit our use of the technology. There can be no assurance that we would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that we would be able to develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license to use a suitable

alternative technology to permit us to continue offering, and our customers to continue using, our affected product. In addition, we may be required to indemnify our retail and distribution partners for third-party intellectual property infringement claims, which would increase the cost to us of an adverse ruling in such a claim. An adverse determination could also prevent us from offering our products to others. Infringement claims asserted against us or our vendors may have a material adverse effect on our business, results of operations or financial condition.

If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed.

Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Significant technology used in our products, however, is not the subject of any patent protection, and we may be unable to obtain patent protection on such technology in the future. Moreover, existing U.S. legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide us with any competitive advantages, and may be challenged by third parties. In addition, the laws of countries other than the United States in which we market our products may afford little or no effective protection of our intellectual property. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property or otherwise gaining access to our technology. Unauthorized third parties may try to copy or reverse engineer our products or portions of our products or otherwise obtain and use our intellectual property. Some of our contracts with the U.S. federal government allow the federal government to disclose technical data regarding the products developed on behalf of the government under the contract without constraining the recipient on how it is used. This ability of the government creates the potential that third parties may be able to use this data to compete with us in the commercial sector. If we fail to protect our intellectual property and other proprietary rights, our business, results of operations or financial condition could be materially harmed.

In addition, defending our intellectual property rights may entail significant expense. We believe that certain products in the marketplace may infringe our existing intellectual property rights. We have, from time to time, resorted to legal proceedings to protect our intellectual property and may continue to do so in the future. We may be required to expend significant resources to monitor and protect our intellectual property rights. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could result in significant expense to us and divert the attention and efforts of our management and technical employees, even if we were to prevail.

If we fail to enhance our brand, our ability to expand our customer base will be impaired and our operating results may suffer.

We believe that developing and maintaining awareness of the iRobot brand is critical to achieving widespread acceptance of our existing and future products and is an important element in attracting new customers. Furthermore, we expect the importance of global brand recognition to increase as competition develops. If customers do not perceive our products to be of high quality, our brand and reputation could be harmed, which could adversely impact our financial results. In addition, brand promotion efforts may not yield significant revenue or increased revenue sufficient to offset the additional expenses incurred in building our brand.

We depend on the experience and expertise of our senior management team and key technical employees, and the loss of any key employee may impair our ability to operate effectively.

Our success depends upon the continued services of our senior management team and key technical employees, such as our project management personnel and senior engineers. Moreover, we often must comply with provisions in government contracts that require employment of persons with specified levels of education and work experience. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of any member of our senior management team might significantly delay or prevent the achievement of our business objectives and could materially harm our business and customer relationships. In addition, because of the highly technical nature of our robots, the loss of any significant number of our existing engineering and project management personnel could have a material adverse effect on our business and operating results.

We are subject to extensive U.S. federal government regulation, and our failure to comply with applicable regulations could subject us to penalties that may restrict our ability to conduct our business.

As a contractor and subcontractor to the U.S. federal government, we are subject to and must comply with various government regulations that impact our operating costs, profit margins and the internal organization and operation of our business. Among the most significant regulations affecting our business are:

- the Federal Acquisition Regulations and supplemental agency regulations, which comprehensively regulate the formation and administration of, and performance under government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of all cost and pricing data in connection with contract negotiations;
- the Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under cost-based government contracts;
- the Foreign Corrupt Practices Act, which prohibits U.S. companies from providing anything of value to a foreign official to help obtain, retain or direct business, or obtain any unfair advantage;
- the False Claims Act and the False Statements Act, which, respectively, impose penalties for payments made on the basis of false facts provided to the government, and impose penalties on the basis of false statements, even if they do not result in a payment;
- laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data;
- Certain contracts from the U.S. federal government may require us to maintain certain certifications including but not limited to AS9100 and CMMI;
- Contractor Purchasing Systems review (CPSR) requirements, which evaluate the efficiency and effectiveness with which we spend U.S. Government funds; and
- The sale of our products in countries outside the United States is regulated by the governments of those countries. While compliance with such regulation will generally be undertaken by our international distributors, we may assist with such compliance and in certain cases may be liable if a distributor fails to comply.

We must comply with U.S. laws regulating the export of our products. In addition, we are required to obtain a license from the U.S. federal government to export our PackBot, Kobra and SUGV lines of defense and security robots. We cannot be sure of our ability to obtain any licenses required to export our products or to receive authorization from the U.S. federal government for international sales or domestic sales to foreign persons. Moreover, the export regimes and the governing policies applicable to our business are subject to change. We cannot assure you of the extent that such export authorizations will be available to us, if at all, in the future. In some cases where we act as a subcontractor, we rely upon the compliance activities of our prime contractors, and we cannot assure you that they have taken or will take all measures necessary to comply with applicable export laws. If we or our prime contractor partners cannot obtain required government approvals under applicable regulations in a timely manner or at all, we would be delayed or prevented from selling our products in international jurisdictions, which could materially harm our business, operating results and ability to generate revenue.

Also, we need special clearances to continue working on and advancing certain of our projects with the U.S. federal government. Obtaining and maintaining security clearances for employees involves a lengthy process, and it is difficult to identify, recruit and retain employees who already hold security clearances. If our employees are unable to obtain security clearances in a timely manner, or at all, or if our employees who hold security clearances are unable to maintain the clearances or terminate employment with us, then a customer requiring classified work could terminate the contract or decide not to renew it upon its expiration. In addition, we expect that many of the contracts on which we will bid will require us to demonstrate our ability to obtain facility security clearances and employ personnel with specified types of security clearances. To the extent we are not able to obtain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively rebid on expiring contracts. Classified programs generally will require that we comply with various Executive Orders, federal laws and regulations and customer security requirements that may include restrictions on how we develop, store, protect and share information, and may require our employees to obtain government clearances.

Our failure to comply with applicable regulations, rules and approvals could result in the imposition of penalties, the loss of our government contracts or our suspension or debarment from contracting with the federal government generally, any of which would harm our business, financial condition and results of operations.

Acquisitions and potential future acquisitions could be difficult to integrate, divert the attention of key personnel, disrupt our business, dilute stockholder value and impair our financial results.

As part of our business strategy, we have in the past acquired, and we intend to continue to consider additional acquisitions of companies, technologies and products that we believe could accelerate our ability to compete in our core markets or allow us to enter new markets. Acquisitions and combinations are accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses. Any inability to integrate completed acquisitions or combinations in an efficient and timely manner could have an adverse impact on our results of operations. In addition, we may not be able to recognize any expected synergies or benefits in connection with a future acquisition or combination. If we are not successful in completing acquisitions or combinations that we may pursue in the future, we may incur substantial expenses and devote significant management time and resources without a successful result. In addition, future acquisitions could require use of substantial portions of our available cash or result in dilutive issuances of securities.

In addition, charges to earnings as a result of acquisitions may adversely affect our operating results in the foreseeable future, which could have a material and adverse effect on the market value of our common stock. In particular we have allocated the cost of acquiring businesses to the individual assets acquired and liabilities assumed, including various identifiable intangible assets such as acquired technology, acquired trade names and acquired customer relationships based on their respective fair values. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. After we complete an acquisition, the following factors could result in material charges and adversely affect our operating results and may adversely affect our cash flows:

- costs incurred to combine the operations of businesses we acquire, such as transitional employee expenses and employee retention, redeployment or relocation expenses;
- impairment of goodwill or intangible assets;
- amortization of intangible assets acquired;
- a reduction in the useful lives of intangible assets acquired;
- identification of or changes to assumed contingent liabilities, both income tax and non-income tax related after our final determination of the amounts for these contingencies or the conclusion of the measurement period (generally up to one year from the acquisition date), whichever comes first;
- charges to our operating results to eliminate certain duplicative pre-merger activities, to restructure our operations or to reduce our cost structure;
- charges to our operating results resulting from expenses incurred to effect the acquisition; and
- charges to our operating results due to the expensing of certain stock awards assumed in an acquisition.

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our stockholders.

We anticipate that our current cash, cash equivalents, cash provided by operating activities and funds available through our working capital line of credit, will be sufficient to meet our current and anticipated needs for general corporate purposes. We operate in an emerging market, however, which makes our prospects difficult to evaluate. It is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. In such cases we may need additional financing to execute on our current or future business strategies. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our products, or otherwise respond to competitive pressures would be significantly limited. In addition, our access to credit through our working capital line of credit may be limited by the restrictive financial covenants contained in that agreement, which require us to maintain profitability.

Environmental laws and regulations and unforeseen costs could negatively impact our future earnings.

The manufacture and sale of our products in certain states and countries may subject us to environmental and other regulations. We also face increasing complexity in our product design as we adjust to legal and regulatory requirements relating to our products. There is no assurance that such existing laws or future laws will not impair future earnings or results of operations.

Business disruptions resulting from international uncertainties could negatively impact our profitability.

We derive, and expect to continue to derive, a significant portion of our revenue from international sales in various European and Far East markets, and Canada. For the fiscal years ended December 27, 2014 and December 28, 2013, sales to non-U.S. customers accounted for 60.9% and 59.5% of total revenue, respectively. Our international revenue and operations are subject to a number of material risks, including, but not limited to:

- difficulties in staffing, managing and supporting operations in multiple countries;
- difficulties in enforcing agreements and collecting receivables through foreign legal systems and other relevant legal issues;
- fewer legal protections for intellectual property;
- foreign and U.S. taxation issues, tariffs, and international trade barriers;
- difficulties in obtaining any necessary governmental authorizations for the export of our products to certain foreign jurisdictions;
- potential fluctuations in foreign economies;
- government currency control and restrictions on repatriation of earnings;
- fluctuations in the value of foreign currencies and interest rates;
- general economic and political conditions in the markets in which we operate;
- domestic and international economic or political changes, hostilities and other disruptions in regions where we currently operate or may operate in the future;
- changes in foreign currency exchange rates;
- different and changing legal and regulatory requirements in the jurisdictions in which we currently operate or may operate in the future; and
- outside of the United States, we primarily rely on a network of exclusive distributors, some of whom may be operating without written contracts.

Negative developments in any of these areas in one or more countries could result in a reduction in demand for our products, the cancellation or delay of orders already placed, threats to our intellectual property, difficulty in collecting receivables, and a higher cost of doing business, any of which could negatively impact our business, financial condition or results of operations. Moreover, our sales, including sales to customers outside the United States, are primarily denominated in U.S. dollars, and downward fluctuations in the value of foreign currencies relative to the U.S. dollar may make our products more expensive than other products, which could harm our business.

If we experience a disaster or other business continuity problem, we may not be able to recover successfully, which could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability.

If we experience a local or regional disaster or other business continuity problem, such as an earthquake, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. As we grow our operations in new geographic regions, the potential for particular types of natural or man-made disasters, political, economic or infrastructure instabilities, or other country- or region-specific business continuity risks increases.

If we suffer any data breaches involving the designs, schematics or source code for our products, our brand, business and financial results could be adversely affected.

We attempt to securely store our designs, schematics and source code for our products as they are created. A breach, whether physical, electronic or otherwise, of the systems on which this sensitive data is stored could lead to damage or piracy of our products. In addition, we work with e-commerce providers who hold significant sensitive customer data. If we or our partners are subject to data security breaches, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures, either of which could materially and adversely affect our brand, business and financial results.

The effects of new regulations relating to conflict minerals may adversely affect our business.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements will require companies to diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. We will have to diligence whether such minerals are used in the manufacture of our products. However, the implementation of these requirements could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the

manufacture of our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

Our income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to our position. Additionally, there is no guarantee that we will realize our deferred tax assets.

From time to time, we are audited by various federal, state, local and foreign authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for federal, state, local and foreign taxes. Although we believe our approach to determining the appropriate tax treatment is supportable and in accordance with relevant authoritative guidance it is possible that the final tax authority will take a tax position that is materially different than that which is reflected in our income tax provision. Such differences could have a material adverse effect on our income tax provision or benefit, in the reporting period in which such determination is made and, consequently, on our results of operations, financial position and/or cash flows for such period.

The realization of our deferred tax assets ultimately depends on the existence of sufficient income in either the carryback or carryforward periods under the tax law. Due to significant estimates utilized in establishing a valuation allowance and the potential for changes in facts and circumstances, it is possible that we will be required to record additional valuation allowance in future reporting periods. Our results of operations would be impacted negatively if we determine that additional deferred tax asset valuation allowance is required in a future reporting period.

Provisions in our certificate of incorporation and by-laws, our shareholder rights agreement 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.

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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Bedford, Massachusetts, where we lease approximately 183,000 square feet. This lease expires on May 1, 2020. We lease smaller facilities in Hong Kong; Guangzhou, China; London, England; and Pasadena, California. We do not own any real property. We believe that our leased facilities and additional or alternative space available to us will be adequate to meet our needs for the foreseeable future.

ITEM 3. *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 4. *MINE SAFETY DISCLOSURES*

Not Applicable.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock is listed on the NASDAQ Global Market under the symbol "IRBT". The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock as reported on the NASDAQ Global Market.

	High	Low
Fiscal 2013:		
First quarter	\$ 25.76	\$ 18.25
Second quarter	\$ 40.12	\$ 23.76
Third quarter	\$ 41.12	\$ 30.85
Fourth quarter	\$ 38.46	\$ 28.90
Fiscal 2014:		
First quarter	\$ 48.36	\$ 32.93
Second quarter	\$ 44.43	\$ 30.11
Third quarter	\$ 42.00	\$ 30.24
Fourth quarter	\$ 38.10	\$ 29.73

As of February 9, 2015, there were approximately 29,672,165 shares of our common stock outstanding held by approximately 105 stockholders of record and the last reported sale price of our common stock on the NASDAQ Global Market on February 9, 2015 was \$29.94 per share.

Issuer Purchases of Equity Securities

The following is a summary of our repurchases of our common stock during the three months ended December 27, 2014:

<u>Period</u>	(a) Total number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Fiscal month beginning September 28, 2014 and ended October 25, 2014	55,973	\$ 29.97	55,973	\$ 48,300,000
Fiscal month beginning October 26, 2014 and ended November 22, 2014	—	—	—	48,300,000
Fiscal month beginning November 23, 2014 and ended December 27, 2014	—	—	—	48,300,000
Total	55,973	\$ 29.97	55,973	\$ 48,300,000

- (1) Consists of shares of our common stock. All repurchases were made in open market transactions and pursuant to our previously-announced stock repurchase program.
- (2) On April 2, 2014, we announced the adoption of our stock repurchase program. Under the program, we may purchase up to \$50 million of our common stock from May 1, 2014 to April 30, 2015.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and we do not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data set forth below as of December 27, 2014 and December 28, 2013 and for the years ended December 27, 2014, December 28, 2013 and December 29, 2012 are derived from financial statements, which have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Consolidated balance sheets as of December 27, 2014 and December 28, 2013 and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 27, 2014 and notes thereto appear elsewhere in this Annual Report on Form 10-K. The selected historical financial data as of December 29, 2012, December 31, 2011 and January 1, 2011 and for the years ended December 31, 2011 and January 1, 2011 are derived from our financial statements, which have been audited by PricewaterhouseCoopers LLP and which are not included elsewhere in this Annual Report.

In fiscal year 2012, we initiated a reorganization that resulted in, among other things, the centralization of all of our engineering and operations activities. This reorganization was completed at the beginning of fiscal year 2013. In conjunction with this reorganization, we reviewed the financial statement classification of our costs and expenses. As a result of this review, we decided to classify certain expenses differently than had been classified and presented in prior periods to provide a more clear understanding of our financial performance. Because the classification of certain expenses on the income statement changed in fiscal year 2013 as compared to prior periods, we recast the financial results of prior periods in a manner consistent with the fiscal year 2014 and 2013 presentation for comparability purposes. The reclassified amounts reflected in the consolidated statement of income for the year ended December 29, 2012 included herein conform to the fiscal year 2014 and 2013 presentation. Similarly, the following selected consolidated financial data reflects the reclassified amounts for the years ended December 29, 2012, December 31, 2011 and January 1, 2011.

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results to be expected for any future period.

	Year Ended				
	December 27, 2014	December 28, 2013	December 29, 2012	December 31 2011	January 1, 2011
	(In thousands, except earnings per share amounts)				
Consolidated Statements of Income:					
Revenue	\$ 556,846	\$ 487,401	\$ 436,244	\$ 465,500	\$ 400,952
Cost of revenue	298,791	266,247	241,896	257,847	236,901
Gross margin	<u>258,055</u>	<u>221,154</u>	<u>194,348</u>	<u>207,653</u>	<u>164,051</u>
Operating expenses					
Research and development	69,408	63,649	57,066	60,100	51,185
Selling and marketing	86,091	71,529	66,412	50,477	42,778
General and administrative	49,439	53,358	45,698	43,753	36,618
Total operating expenses	<u>204,938</u>	<u>188,536</u>	<u>169,176</u>	<u>154,330</u>	<u>130,581</u>
Operating income	53,117	32,618	25,172	53,323	33,470
Net income	<u>\$ 37,803</u>	<u>\$ 27,641</u>	<u>\$ 17,297</u>	<u>\$ 40,191</u>	<u>\$ 25,514</u>
Net income per common share basic	<u>\$ 1.28</u>	<u>\$ 0.97</u>	<u>\$ 0.63</u>	<u>\$ 1.50</u>	<u>\$ 1.00</u>
Diluted	<u>\$ 1.25</u>	<u>\$ 0.94</u>	<u>\$ 0.61</u>	<u>\$ 1.44</u>	<u>\$ 0.96</u>
Shares used in per common share calculations					
Basic	29,485	28,495	27,577	26,712	25,394
Diluted	30,210	29,354	28,301	27,924	26,468

	December 27, 2014	December 28, 2013	December 29, 2012	December 31 2011	January 1, 2011
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 185,957	\$ 165,404	126,770	166,308	108,383
Short term investments	36,166	21,954	12,430	17,811	13,928
Total assets	493,213	416,337	354,313	332,213	254,331
Total liabilities	102,777	85,648	78,496	89,255	79,424
Total stockholders' equity	390,436	330,689	275,817	242,958	174,907

ITEM 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information contained in this section has been derived from our consolidated financial statements and should be read together with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the "safe harbor" created by those sections. In particular, statements contained in this Annual Report on Form 10-K 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, our home robots, defense and security robots and remote presence robots 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. We urge you to consider the risks and uncertainties discussed in greater detail under the heading "Risk Factors" in evaluating our forward-looking statements. We have no plans to update our forward-looking statements to reflect events or circumstances after the date of this report. 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 nearly 25 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 December 27, 2014, we had 572 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 robot-based products.

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.

Our total revenue for 2014 was \$556.8 million, which represents a 14% increase from 2013 revenue of \$487.4 million. This increase in revenue was largely attributable to a \$79.6 million increase in revenue in our home robots business as a direct result of growth in both domestic and international markets, which was primarily driven by expanded distribution of our Roomba 800 series robot worldwide, growth in China and the replacement of the Roomba 500 series robot with the higher-priced Roomba 600 series in club stores. The increase in home robots revenue was partially offset by a decrease in revenue of \$4.5 million in our defense and security business related to continued budget reductions within the U.S. government in 2014. We began selling our remote presence robots into the healthcare market and the enterprise market in 2013 and 2014, respectively. However, these sales did not generate meaningful revenue in 2014 or 2013. Our home robots revenue represented 91% of our total 2014 revenue compared to 88% in 2013. We anticipate that our revenue for the next few years will be primarily driven by our rapidly growing home technology business and that our home robots revenue will comprise approximately 90% of our total revenue in the near term.

Our total revenue for 2013 was \$487.4 million, which represents a 12% increase from 2012 revenue of \$436.2 million. This increase in revenue was largely attributable to a \$71.0 million increase in revenue in our home robots business as a direct result of growth in both domestic and international markets. The increase in home robots revenue was partially offset by a decrease in revenue of \$20.9 million in our defense and security business related to reductions in new unmanned ground vehicle robots, associated with ongoing budget reductions within the U.S. government. Our home robots revenue represented 88% of our total 2013 revenue compared to 82% in 2012.

Revenue

We currently derive revenue from product sales, government research and development contracts, and commercial research and development contracts. Product revenue is derived from the sale of our various home cleaning robots, defense and security robots and remote presence robots and related accessories. Research and development revenue is derived from the execution of contracts awarded by the U.S. federal government, other governments and a small number of other partners. In the future, we expect to derive increasing revenue from product maintenance and support services due to a focused effort to market these services to the expanding installed base of our robots.

We currently derive a majority of our product revenue from the sale of our home cleaning robots, and to a lesser extent, our PackBot, FirstLook, SUGV and Kobra defense and security robots, and product life cycle revenue related to these robots. For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, product revenues accounted for 99.2%, 98.0% and 95.9% of total revenue, respectively. For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, our funded research and development contracts accounted for approximately 0.8%, 2.0% and 4.1% of our total revenue, respectively.

For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, approximately 75.7%, 75.3% and 75.4%, respectively, of our home robot product revenue resulted from sales to 15 customers, which were comprised of both domestic retailers and international distributors. Direct-to-consumer revenue generated through our domestic and international on-line stores accounted for 6.1%, 5.9% and 6.3% of our home robot product revenue for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, respectively. We typically sell our recently launched products direct on-line, and then subsequently offer these products through other channels of distribution.

For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, sales to non-U.S. customers accounted for 60.9%, 59.5% and 57.3% of total revenue, respectively.

Our revenue from product sales is generated through sales to our retail distribution channels, our distributor network and to certain U.S. and foreign governments. We recognize 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. During 2014, we recorded a net benefit to revenue and income before income taxes of \$4.3 million and \$5.7 million, respectively, related to adjustments to our product returns reserves, compared to a net benefit to both revenue and income before income taxes of \$7.9 million and \$11.0 million related to adjustments to our product returns reserves during fiscal 2013 and 2012, respectively. The net adjustments recorded in 2014 and 2013 resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods, and the favorable adjustments in 2012 were directly attributable to contractual modifications limiting our defective returns liability with certain customers, as well as overall lower defective returns experience.

Revenue from our defense and security robots business are occasionally influenced by the September 30 fiscal year-end of the U.S. federal government. In addition, our revenue can be affected by the timing of the release of new products and the size and timing of contract awards from defense and other government agencies. Historically, revenue from consumer product sales has been significantly seasonal, with a majority of our consumer product revenue generated in the second half of the year (in advance of the holiday season). While the growth of our international consumer business, which is less seasonal than our domestic consumer business, has decreased this seasonality in recent years, a significant portion of our revenue was recorded in the second half of 2014 and we expect this trend to continue into 2015.

Cost of Revenue

Cost of revenue includes the cost of raw materials and labor that go into the development and manufacture of our products as well as manufacturing overhead costs such as manufacturing engineering, quality assurance, logistics, warranty, third-party consulting, travel and associated direct material costs. Additionally, we include overhead expenses such as indirect engineering labor, occupancy costs associated with the project resources, engineering tools and supplies and program management expenses. For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, total cost of revenue was 53.7%, 54.6% and 55.4% of total revenue, respectively. Raw material costs, which are our most significant cost items, can fluctuate materially on a periodic basis, although many components have been historically stable. Additionally, unit costs can vary significantly depending on the mix of products sold. There can be no assurance that our costs of raw materials will not increase. Labor costs also comprise a significant portion of our cost of revenue. We outsource the manufacture of our home robots to contract manufacturers in China. While labor costs in China traditionally have been favorable compared to labor costs elsewhere in the world, including the United States, they have recently been increasing. In addition, fluctuations in currency exchange rates could increase the cost of labor. Consequently, the labor costs for our home robots could increase in the future.

Gross Margin

Our gross margin as a percentage of revenue varies according to the mix of product and contract revenue, the mix of products sold, total sales volume, the level of defective product returns, and levels of other product costs such as warranty, scrap, re-work and manufacturing overhead. For the years ended December 27, 2014, December 28, 2013 and December 29, 2012, gross margin was 46.3%, 45.4% and 44.6% of total revenue, respectively.

Research and Development Expenses

Research and development expenses consist primarily of:

- salaries and related costs for our engineers;
- costs for high technology components used in product and prototype development;
- costs of test equipment used during product development; and
- occupancy and other overhead costs.

We have significantly expanded our research and development capabilities and expect to continue to expand these capabilities in the future. We are committed to consistently maintaining the level of innovative design and development of new products as we strive to enhance our ability to serve our existing consumer and military markets as well as new markets for robots, such as telepresence. We anticipate that research and development expenses will increase in absolute dollars but remain relatively consistent as a percentage of revenue in the foreseeable future.

For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, research and development expense was \$69.4 million, \$63.6 million and \$57.1 million, or 12.5%, 13.1% and 13.1% of total revenue, respectively.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist primarily of:

- salaries and related costs for sales and marketing personnel;
- salaries and related costs for executives and administrative personnel;
- advertising, marketing and other brand-building costs;
- customer service costs;
- professional services costs;
- information systems and infrastructure costs;
- travel and related costs; and
- occupancy and other overhead costs.

We anticipate that selling, general and administrative expenses will increase in absolute dollars but remain relatively consistent, or decrease slightly, as a percentage of revenue in the foreseeable future as we continue to build the iRobot brand.

For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012 selling, general and administrative expense was \$135.5 million, \$124.9 million and \$112.1 million, or 24.3%, 25.6% and 25.7% of total revenue, respectively.

Fiscal Periods

We operate and report using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, our

fiscal quarters will end on the Saturday that falls closest to the last day of the third month of each quarter.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

We believe that of our significant accounting policies, which are described in the notes to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, we believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We derive our revenue from product sales and, to a lesser extent, government and commercial research and development contracts. We sell products directly to customers and indirectly through resellers and distributors. We recognize 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 and Canadian resellers of home robots are typically subject to agreements allowing for limited rights of return, rebates and price protection. We also provide limited rights of returns for direct-to-consumer sales generated through our on-line stores. Accordingly, we reduce revenue for our estimates of liabilities for these rights of return, rebates and price protection at the time the related sale is recorded. These estimates for rights of return are directly based on specific terms and conditions included in the reseller agreements, historical returns experience and various other assumptions that we believe are reasonable under the circumstances. In the case of new product introductions, the estimates for returns applied to the new products are based upon the estimates for the most similar predecessor products until such time that we have enough actual returns experience for the new products, which is typically two holiday returns cycles. At that time, we incorporate that data into the development of returns estimates for the new products. We update our analysis of returns on a quarterly basis. If actual returns differ significantly from our estimates, or if modifications to individual reseller agreements are entered into that impact their rights of returns, such differences could result in an adjustment to previously established reserves and could have a material impact, either favorably or unfavorably, on our results of operations for the period in which the actual returns become known or the reseller agreement is modified. Our 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 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, we recognize 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). We submit on an annual basis final indirect billing rates to DCMA based upon actual costs incurred throughout the year. In the situation where our final actual billing rates are greater than the estimated rates currently in effect, we record 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 December 27, 2014, fiscal years 2012 through 2014 are open for audit by DCAA. In the situation where our anticipated actual billing rates will be lower than the provisional rates currently in effect, we record 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 Stock-Based Awards

We recognized \$4.1 million of stock-based compensation expense during the fiscal year ended December 27, 2014 for stock options. The unamortized fair value as of December 27, 2014 associated with these grants was \$6.6 million with a weighted-average remaining recognition period of 2.47 years.

The risk-free interest rate is derived from the average U.S. Treasury constant maturity rate, which approximates the rate in effect at the time of grant, commensurate with the expected life of the instrument. The dividend yield is zero based upon the fact that we have never paid and have no present intention to pay cash dividends. We utilize company-specific historical data for purposes of establishing expected volatility and expected term.

Based upon the above assumptions, the weighted average fair value of each stock option granted for the fiscal year ended December 27, 2014 was \$15.87.

During the fiscal year ended December 27, 2014, we recognized \$9.7 million of stock-based compensation associated with restricted stock units. Unamortized expense associated with restricted stock units at December 27, 2014, was \$20.1 million.

We have assumed a forfeiture rate for all stock options and restricted stock-based units. In the future, we will record incremental stock-based compensation expense if the actual forfeiture rates are lower than estimated and will record a recovery of prior stock-based compensation expense if the actual forfeitures are higher than estimated.

Accounting for stock-based awards requires significant judgment and the use of estimates, particularly surrounding assumptions such as stock price volatility and expected option lives to value equity-based compensation.

Accounting for Income Taxes

We are subject to taxation in the United States and various states and foreign jurisdictions. The statute of limitations for examinations by federal and state tax authorities is closed for fiscal years prior to 2011. Federal and state carryforward attributes that were generated prior to fiscal year 2011 may still be adjusted upon examination by the Internal Revenue Service (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.

We monitor the realization of our deferred tax assets based on changes in circumstances, for example, recurring periods of income for tax purposes following historical periods of cumulative losses, generation of tax credits compared to future utilization of credits, or changes in tax laws or regulations. Our income tax provision and our assessment of the ability to realize our deferred tax assets involve significant judgments and estimates. We are currently generating state research credits that exceed the amount being utilized. As a result of this trend, a valuation allowance may be needed in the future related to these state tax credits.

As of December 28, 2013, we maintained a valuation allowance of \$2.1 million related to certain state tax attributes from the Evolution Robotics, Inc. acquisition, which occurred in October 2012. During the year ended December 27, 2014, this valuation allowance was released when the realization of these state tax attributes became more likely than not.

Warranty

We typically provide a one-year warranty (with the exception of European consumer products which typically have a two-year warranty period, and our defense and security spares and remote presence robots, which typically have a warranty period of less than one year) against defects in materials and workmanship and will either repair the goods, provide replacement products at no charge to the customer or refund amounts to the customer for defective products. We record estimated warranty costs, based on historical experience by product, at the time we recognize product revenue. Actual results could differ from these estimates, which could cause increases or decreases to our warranty reserves in future periods.

Inventory Valuation

We value our inventory at the lower of the actual cost of our inventory or its current estimated market value. We write down inventory for obsolescence or unmarketable inventories based upon assumptions about future demand and market conditions. Actual demand and market conditions may be lower than those that we project and this difference could have a material adverse effect on our gross margin if inventory write-downs beyond those initially recorded become necessary. Alternatively, if actual demand and market conditions are more favorable than those we estimated at the time of such a write-down, our gross margin could be favorably impacted in future periods.

Long-Lived Assets, including Purchased Intangible Assets

We periodically evaluate the recoverability of long-lived assets, including other purchased intangible assets whenever events and changes in circumstances, such as reductions in demand or significant economic slowdowns in the industry, indicate that the carrying amount of an asset may not be fully recoverable. When indicators of impairment are present, the carrying values of the asset group are evaluated in relation to the future undiscounted cash flows of the underlying business. The net book value of the underlying asset is adjusted to fair value if the sum of the expected discounted cash flows is less than book value. Fair values are based on estimates of market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

Overview of Results of Operations

The following table sets forth our results of operations for the periods shown:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Revenue	\$ 556,846	\$ 487,401	\$ 436,244
Cost of revenue (1)	298,791	266,247	241,896
Gross margin	258,055	221,154	194,348
Operating expenses			
Research and development(1)	69,408	63,649	57,066
Selling and marketing(1)	86,091	71,529	66,412
General and administrative(1)	49,439	53,358	45,698
Total operating expenses	204,938	188,536	169,176
Operating income	53,117	32,618	25,172
Other income (expense), net	(708)	(203)	435
Income before income taxes	52,409	32,415	25,607
Income tax expense	14,606	4,774	8,310
Net income	\$ 37,803	\$ 27,641	\$ 17,297

(1) Stock-based compensation recorded in fiscal 2014, 2013 and 2012 breaks down by expense classification as follows.

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Cost of revenue	\$ 865	\$ 700	\$ 889
Research and development	3,359	2,700	1,904
Selling and marketing	1,296	1,246	808
General and administrative	8,258	8,763	7,382

The following table sets forth our results of operations as a percentage of revenue for the periods shown:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Revenue	100.0%	100.0%	100.0%
Cost of revenue	53.7	54.6	55.4
Gross margin	46.3	45.4	44.6
Operating expenses			
Research and development	12.5	13.1	13.1
Selling and marketing	15.5	14.7	15.2
General and administrative	8.9	10.9	10.5
Total operating expenses	36.9	38.7	38.8
Operating income	9.4	6.7	5.8
Other income (expense), net	(0.1)	—	0.1
Income before income taxes	9.3	6.7	5.9
Income tax expense	2.6	1.0	1.9
Net income	6.7%	5.7%	4.0%

Comparison of Years Ended December 27, 2014 and December 28, 2013

Revenue

	Fiscal Year Ended			
	December 27, 2014	December 28, 2013	Dollar Change	Percent Change
	(In thousands)			
Total Revenue	\$ 556,846	\$ 487,401	\$ 69,445	14.2%

Our revenue increased 14.2% to \$556.8 million in fiscal 2014 from \$487.4 million in fiscal 2013. Revenue increased \$79.6 million, or 18.6%, in our home robots business unit, and decreased \$4.5 million, or 9.0%, in our defense and security business unit.

The \$79.6 million increase in revenue from our home robots business unit was driven by a 12.5% increase in units shipped and a 6.1% increase in net average selling price. In fiscal 2014, international home robots revenue increased \$46.0 million, or 16.8%, and domestic home robots revenue increased \$33.5 million, or 21.8%, compared to fiscal 2013. Total home robots shipped in fiscal 2014 were 2,174,000 units compared to 1,933,000 units in fiscal 2013. The increase in both domestic and international home robots revenue was primarily driven by expanded distribution of our Roomba 800 series robot worldwide, and the replacement of the Roomba 500 series robot with the higher-priced Roomba 600 series in club stores. International home robots revenue growth was further supported by strong demand in China, where revenue increased over 200% in fiscal 2014 compared to fiscal 2013.

The \$4.5 million decrease in revenue from our defense and security robots business unit was driven by a \$4.7 million decrease in defense and security robot revenue and a \$1.2 million decrease in recurring contract development revenue generated under research and development contracts, partially offset by a \$1.4 million increase in product life cycle revenue (spare parts, accessories). Total defense and security robots shipped in fiscal 2014 were 265 units compared to 534 units in fiscal 2013, while the net average selling price of our defense and security robots increased from approximately \$36 thousand in fiscal 2013 to approximately \$56 thousand in fiscal 2014. The decrease in the number of units shipped and the increase in average selling price resulted from decreased sales of our lower-priced FirstLook robot in fiscal 2014 as compared to fiscal 2013. The \$1.2 million decrease in contract revenue was primarily due to a decrease in revenue related to the U.S. Army's Brigade Combat Team Modernization program, for which efforts were completed during the first half of fiscal 2013. The \$1.4 million increase in product life cycle revenue was due to an increase in Packbot upgrades, partially offset by decreases in FirstLook and SUGV spares. Continued funding delays for government contracts have reduced our near-term visibility in our defense and security robots business unit and contributed to the decrease in period-over-period revenue in this business unit. We cannot predict with any certainty the extent to which these funding delays will continue.

Cost of Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
Total cost of revenue	\$ 298,791	\$ 266,247	\$ 32,544	12.2%
As a percentage of total revenue	53.7%	54.6%		

Total cost of revenue increased \$32.5 million, or 12.2% to \$298.8 million in fiscal 2014, compared to \$266.2 million in fiscal 2013. The increase is primarily due to the 12.5% increase in home robot units shipped, as well as the increase in per unit costs of defense and security robots driven by a lower mix of the lower-cost FirstLook robot in fiscal 2014 compared to fiscal 2013. These increases are partially offset by the 50.4% decrease in defense and security units shipped in fiscal 2014 as compared to fiscal 2013.

Gross Margin

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
Total gross margin	\$ 258,055	\$ 221,154	\$ 36,901	16.7%
As a percentage of total revenue	46.3%	45.4%		

Gross margin increased \$36.9 million, or 16.7%, to \$258.1 million (46.3% of revenue) in fiscal 2014 from \$221.2 million (45.4% of revenue) in fiscal 2013. The increase in gross margin as a percentage of revenue was the result of the home robots business unit gross margin increasing 1.2 percentage points, partially offset by the defense and security business unit gross margin decreasing 3.7 percentage points. The 1.2 percentage point increase in the home robots business unit was primarily driven by favorable product and customer mix, with increased volume of higher margin Roomba 800 and 600 series robots in fiscal 2014 compared to fiscal 2013. During 2014, we recorded a net benefit to revenue and gross margin of \$4.3 million and \$5.7 million, respectively, related to adjustments to our product returns reserves, compared to a net benefit to both revenue and gross margin of \$7.9 million related to adjustments to our product returns reserves during fiscal 2013. The net adjustments recorded in each period resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods. The favorable product and customer mix was partially offset by the decrease in favorable adjustments to our product returns reserve in fiscal 2014 compared to fiscal 2013. The 3.7 percentage point decrease in the defense and security robots business unit is attributable to unfavorable overhead leverage associated with the 9.0% decrease in the defense and security robots business unit revenue.

Research and Development

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
Total research and development	\$ 69,408	\$ 63,649	\$ 5,759	9.0%
As a percentage of total revenue	12.5%	13.1%		

Research and development expenses increased \$5.8 million, or 9.0%, to \$69.4 million (12.5% of revenue) in fiscal 2014 from \$63.6 million (13.1% of revenue) in fiscal 2013. This increase is attributable to increased efforts in product development and continued product enhancements, including increases in consultant and other people-related costs of \$3.5 million in 2014 compared to 2013.

Selling and Marketing

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
Total selling and marketing	\$ 86,091	\$ 71,529	\$ 14,562	20.4%
As a percentage of total revenue	15.5%	14.7%		

Selling and marketing expenses increased by \$14.6 million, or 20.4%, to \$86.1 million (15.5% of revenue) in fiscal 2014 from \$71.5 million (14.7% of revenue) in fiscal 2013. This increase is primarily attributable to \$11.6 million in promotions, marketing displays, on-line media and other selling and marketing costs incurred to support the retail launch of the Roomba 800 series and Scooba 450 robots and our continued global marketing and branding efforts, as well as increases in people-related costs of \$2.6 million driven by increased headcount in fiscal 2014 compared to fiscal 2013.

General and Administrative

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
General and administrative	\$ 49,439	\$ 53,358	\$ (3,919)	(7.3)%
As a percentage of total revenue	8.9%	10.9%		

General and administrative expenses decreased by \$3.9 million, or 7.3%, to \$49.4 million (8.9% of revenue) in fiscal 2014 from \$53.4 million (10.9% of revenue) in fiscal 2013. This decrease is primarily attributable to a \$3.9 million decrease in people-related costs. Additionally, we recorded a \$1.8 million write-down of an intangible asset in fiscal 2013, resulting from a decision made in 2013 to refocus our funded research activities that significantly reduced our utilization of the technology associated with the intangible asset, with no such write-down in fiscal 2014. These decreases are partially offset by increases in consulting and other miscellaneous general and administrative costs.

Other Income (Expense), Net

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
Other Income (expense), net	\$ (708)	\$ (203)	\$ (505)	248.8%
As a percentage of total revenue	(0.1)%	0.0 %		

Other income (expense), net, amounted to \$(0.7) million and \$(0.2) million for fiscal 2014 and fiscal 2013, respectively, and consisted primarily foreign currency exchange losses resulting from foreign currency exchange rate fluctuations, offset by interest income.

Income Tax Provision

	Fiscal Year Ended		Dollar Change	Percent Change
	December 27, 2014	December 28, 2013		
	(In thousands)			
Income tax provision	\$ 14,606	\$ 4,774	\$ 9,832	205.9%
As a percentage of pre-tax income	27.9%	14.7%		

We recorded an income tax provision of \$14.6 million and \$4.8 million for fiscal 2014 and fiscal 2013, respectively. The \$14.6 million income tax provision for fiscal 2014 was based upon a 2014 effective income tax rate of 31.5% plus a net income tax benefit of \$1.9 million primarily resulting from the release of \$2.1 million of valuation allowance related to certain state tax attributes of Evolution Robotics, Inc. The \$4.8 million provision for fiscal 2013 was based upon a 2013 effective income tax rate of 28.5% plus a net income tax benefit of \$4.5 million primarily resulting from the extension of the federal research and development tax credit in 2013 and the settlement of uncertain tax positions upon completion of an IRS audit.

In January 2013, legislation was enacted that included the extension of the federal research and development tax credits. The legislation retroactively reinstated the research and development tax credit for 2012 and extended it through December 31, 2013. As a result, we recorded a discrete benefit of approximately \$1.7 million related to 2012 in 2013.

The federal research and development tax credit expired at the end of 2014. The federal research and development tax credit has not yet been enacted for 2015 and, unless retroactively reinstated, will cause our 2015 effective tax rate to increase.

The increase in the effective tax rate from 28.5% in 2013 to 31.5% in 2014 was primarily due to a smaller research and development credit in 2014 as compared to 2013 and an increase in state tax expense in 2014 as compared to 2013.

Comparison of Years Ended December 28, 2013 and December 29, 2012

Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Total Revenue	\$ 487,401	\$ 436,244	\$ 51,157	11.7%

Our revenue increased 11.7% to \$487.4 million in fiscal 2013 from \$436.2 million in fiscal 2012. Revenue increased \$71.0 million, or 19.9%, in our home robots business unit, and decreased \$20.9 million, or 29.5%, in our defense and security business unit.

The \$71.0 million increase in revenue from our home robots business unit was driven by a 19.2% increase in units shipped and a 4.1% increase in net average selling price. In fiscal 2013, international home robots revenue increased \$34.6 million and domestic home robots revenue increased \$36.4 million. Total home robots shipped in fiscal 2013 were 1,933,000 units compared to 1,621,000 units in fiscal 2012. The increase in home robots business unit revenue and units shipped was primarily attributable to a 30.9% increase in domestic sales of our home robots products and a 14.5% increase in international sales of our home robots products. The increase in domestic sales of our home robots products was primarily attributable to increased sales to domestic retail stores driven by the success of our recent domestic advertising campaign, and expanded distribution of our Roomba 700 and 600 series robots. The increase in international sales is due primarily to increased demand in our Asian markets, partially offset by a decrease in sales in our European markets. The increased demand in our Asian markets was driven by demand for our Roomba 700 and 600 series robots, and the introduction of our Braava robot. In addition, net average selling prices in the home robots business unit increased due to increased volume of higher priced products including the Roomba 700 and 600 series robots, and fewer sales of our lower priced Roomba series.

The \$20.9 million decrease in revenue from our defense and security robots business unit was driven by a \$1.3 million decrease in defense and security robot revenue, a \$9.4 million decrease in recurring contract development revenue generated under research and development contracts, and a \$10.2 million decrease in product life cycle revenue (spare parts, accessories). The net average selling price of our defense and security robots decreased by 52.6% due to product mix primarily attributable to an increase in FirstLook units shipped in 2013, which have a lower selling price than the SUGV units that comprised a larger portion of the units shipped in 2012. Total defense and security robots shipped in 2013 were 534 units compared to 274 units in 2012. The \$1.3 million decrease in defense and security robot revenue resulted from decreased shipments of higher priced SUGV robots in 2013 compared to 2012. The \$9.4 million decrease in recurring contract development revenue generated under research and development contracts was primarily the result of decreases in government funding for our SUGV programs. The \$10.2 million decrease in product life cycle revenue was due to reduction in spares associated with lower robot sales and a decrease in PackBot upgrades. Continued funding delays for government contracts have reduced our near-term visibility in our defense and security robots business unit and contributed to the decrease in period-over-period revenue in this business unit. We cannot predict with any certainty the extent to which these funding delays will continue.

Cost of Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Total cost of revenue	\$ 266,247	\$ 241,896	\$ 24,351	10.1%
As a percentage of total revenue	54.6%	55.4%		

Total cost of revenue increased to \$266.2 million in fiscal 2013, compared to \$241.9 million in fiscal 2012. The increase is primarily due to the 19.2% increase in home robot units shipped and the 94.9% increase in defense and security units shipped in fiscal 2013 as compared to fiscal 2012. Additionally, favorable adjustments of \$5.2 million relating to reductions in our international warranty accrual for our home robots business, attributable to declining warranty cost experience were recorded in 2012 with no such adjustments recorded in 2013.

Gross Margin

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Total gross margin	\$ 221,154	\$ 194,348	\$ 26,806	13.8%
As a percentage of total revenue	45.4%	44.6%		

Gross margin increased \$26.8 million, or 13.8%, to \$221.2 million (45.4% of revenue) in fiscal 2013 from \$194.3 million (44.6% of revenue) in fiscal 2012. The increase in gross margin as a percentage of revenue was the result of the defense and security business unit gross margin increasing 7.1 percentage points offset by the home robots business unit gross margin decreasing 1.7 percentage points. The 7.1 percentage point increase in the defense and security robots business unit is attributable to improved leverage of our overhead expense in 2013 as compared to 2012, as well as higher excess and obsolete inventory costs in 2012, with no material excess and obsolete inventory costs in 2013. During 2013 and 2012, we recorded favorable adjustments to our return provision due to gradual improvements in returns resulting from sustained investment in product quality of \$7.9 million and \$11.0 million, respectively. Additionally, we recorded favorable adjustments of \$5.2 million relating to reductions in our international warranty accrual for our home robots business, attributable to declining warranty cost experience in 2012 with no such adjustments recorded in 2013. The 1.7 percentage point decrease in the home robots business unit gross margin resulted from the \$8.3 million decrease in these favorable adjustments to our return provision and warranty accrual, partially offset by increased volume of higher margin products including the Roomba 700 and 600 series robots, and fewer sales of our lower margin Roomba series.

Research and Development

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Total research and development	\$ 63,649	\$ 57,066	\$ 6,583	11.5%
As a percentage of total revenue	13.1%	13.1%		

Research and development expenses increased \$6.6 million, or 11.5%, to \$63.6 million (13.1% of revenue) in fiscal 2013 from \$57.1 million (13.1% of revenue) in fiscal 2012. This increase is attributable to increased efforts in product development and continued product enhancements in 2013 compared to 2012, as well as research and development costs associated with Evolution, which was acquired on October 1, 2012.

Selling and Marketing

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Total selling and marketing	\$ 71,529	\$ 66,412	\$ 5,117	7.7%
As a percentage of total revenue	14.7%	15.2%		

Selling and marketing expenses increased by \$5.1 million, or 7.7%, to \$71.5 million (14.7% of revenue) in fiscal 2013 from \$66.4 million (15.2% of revenue) in fiscal 2012. This increase is primarily attributable to marketing expenses incurred during 2013 as part of our continued global marketing and branding efforts.

General and Administrative

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
General and administrative	\$ 53,358	\$ 45,698	\$ 7,660	16.8%
As a percentage of total revenue	10.9%	10.5%		

General and administrative expenses increased by \$7.7 million, or 16.8%, to \$53.4 million (10.9% of revenue) in fiscal 2013 from \$45.7 million (10.5% of revenue) in fiscal 2012. This increase is primarily attributable to a \$5.8 million increase in compensation costs, and a \$1.8 million write-down of an intangible asset in 2013, resulting from a decision made in 2013 to refocus our funded research activities that significantly reduced our utilization of the technology associated with the intangible asset.

Other Income (Expense), Net

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Other Income (expense), net	\$ (203)	\$ 435	\$ (638)	(146.7)%
As a percentage of total revenue	— %	0.1%		

Other income (expense), net, amounted to \$(0.2) million and \$0.4 million for fiscal 2013 and fiscal 2012, respectively, and consisted primarily of interest income offset by foreign currency exchange losses resulting from foreign currency exchange rate fluctuations.

Income Tax Provision

	Fiscal Year Ended		Dollar Change	Percent Change
	December 28, 2013	December 29, 2012		
	(In thousands)			
Income tax provision	\$ 4,774	\$ 8,310	\$ (3,536)	(42.6)%
As a percentage of pre-tax income	14.7%	32.5%		

We recorded an income tax provision of \$4.8 million and \$8.3 million for fiscal 2013 and fiscal 2012, respectively. The \$4.8 million income tax provision for fiscal 2013 was based upon a 2013 effective income tax rate of 28.5% plus a net income tax benefit of \$4.5 million primarily resulting from the extension of the federal research and development tax credit in 2013 and the settlement of uncertain tax positions upon completion of an IRS audit. The \$8.3 million provision for fiscal 2012 was based upon a 2012 effective income tax rate of 30.3% plus a net income tax expense of \$0.6 million primarily resulting from the true-up of prior year permanent items.

In January 2013, legislation was enacted that included the extension of the federal research and development tax credits. The legislation retroactively reinstated the research and development tax credit for 2012 and extended it through December 31, 2013. As a result, we recorded a discrete benefit of approximately \$1.7 million related to 2012 in 2013.

The federal research and development tax credit expired at the end of 2013. The federal research and development tax credit has not yet been enacted for 2014 and, unless retroactively reinstated, will cause our 2014 effective tax rate to increase.

The decrease in the effective tax rate from 30.3% in 2012 to 28.5% in 2013 was primarily due to the extension of the federal research and development tax credit, offset by an increase in state taxes.

Liquidity and Capital Resources

At December 27, 2014, our principal sources of liquidity were cash and cash equivalents totaling \$186.0 million, short-term investments of \$36.2 million and accounts receivable of \$71.1 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 fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, we spent \$13.8 million, \$6.8 million and \$6.8 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 products consists mostly of components, as well as carefully-managed levels of sub-assemblies. Our contract manufacturers are also responsible for purchasing and stocking components required for the production of our products, and they typically invoice us when the finished goods are shipped.

The balance of cash, cash equivalents and short-term investments of \$222.1 million at December 27, 2014 is primarily the result of our increased profitability, as well as our on-going focus on managing working capital. In 2014, we generated \$40.6 million of cash from operations. As of December 27, 2014, we did not have any borrowings outstanding under our working capital line of credit and had \$3.2 million in letters of credit outstanding under our revolving letter of credit facility.

Discussion of Cash Flows

Comparison of Years Ended December 27, 2014 and December 28, 2013

Net cash provided by operating activities for the fiscal year ended December 27, 2014 was \$40.6 million, a decrease of \$1.3 million compared to the \$41.9 million of net cash provided by operating activities for the fiscal year ended December 28, 2013. The decrease in net cash provided by operating activities was primarily driven by a decrease in cash of \$23.9 million resulting from an increase in accounts receivable (including unbilled revenues) of \$33.5 million in 2014 compared to an increase of \$9.6 million in 2013, primarily due to an increase in 2014 revenue, normal billing and collection activities and timing of the billing in the respective periods, and a decrease in cash of \$11.1 million resulting from a decrease in accrued compensation of \$3.4 million in 2014 compared to an increase in accrued compensation of \$7.8 million in 2013 reflecting a higher accrual for incentive compensation in 2013 compared to the prior year and to the accrual in 2014. These decreases were partially offset by an increase in cash of \$10.2 million resulting from net income of \$37.8 million in 2014 compared to net income of \$27.6 million in 2013, an increase in cash of \$18.0 million resulting from an increase in accounts payable of \$16.2 million in 2014 compared to a decrease in accounts payable of \$1.7 million in 2013 as a result of normal purchasing and vendor payment activities, and an increase in cash of \$7.0 million resulting from an increase in inventory of \$2.4 million in 2014 compared to an increase of \$9.4 million in 2013, primarily due to an increase in 2014 revenue and a decrease in the days of inventory on hand to 53 days in 2014 from 63 days in 2013.

Net cash used in investing activities for the fiscal year ended December 27, 2014 was \$28.7 million, an increase of \$10.7 million compared to the \$18.1 million of net cash used in investing activities for the fiscal year ended December 28, 2013. This increase in net cash used in investing activities was primarily due to an increase in the purchase of property and equipment of \$6.9 million, with purchases of \$13.8 million, including \$3.5 million for leasehold improvements in our Bedford, Massachusetts office, compared to purchases of \$6.8 million in 2013, and an increase in the net purchase of marketable securities of \$4.8 million, with net purchase of marketable securities of \$14.7 million in 2014 compared to the net purchase of marketable securities of \$9.9 million in 2013. This increase was partially offset by a decrease in cash paid for acquisitions and strategic investments of \$1.8 million, with a strategic investment of \$250 thousand in the preferred shares of Paracosm, Inc. in 2014 compared to \$2.0 million paid for the purchase of the preferred shares of InTouch Technologies, Inc. in 2013.

Net cash provided by financing activities for the fiscal year ended December 27, 2014 was \$8.7 million, a decrease of \$6.1 million compared to the \$14.8 million of net cash provided by financing activities for the fiscal year ended December 28, 2013. The decrease is due primarily to a decrease in the proceeds from stock option exercises of \$4.7 million and an increase in funds used for the repurchase of shares, with repurchases of \$1.7 million in 2014 compared to zero in 2013.

Comparison of Years Ended December 28, 2013 and December 29, 2012

Net cash provided by operating activities for the fiscal year ended December 28, 2013 was \$41.9 million, an increase of \$4.0 million compared to the \$37.9 million of net cash provided by operating activities for the fiscal year ended December 29, 2012. The increase in net cash provided by operating activities was primarily driven by an increase in cash of \$10.3 million resulting from net income of \$27.6 million in 2013 compared to net income of \$17.3 million in 2012, an increase in cash of \$13.9 million resulting from an increase in accrued compensation of \$7.8 million in 2013 compared to a decrease in accrued compensation of \$6.1 million in 2012 reflecting a higher accrual for incentive compensation in 2013, an increase in cash of \$6.9 million resulting from a decrease in accounts payable of \$1.7 million in 2013 compared to a decrease in accounts payable of \$8.7 million in 2012 as a result of normal purchasing and vendor payment activities, an increase in cash of \$4.9 million resulting from a decrease in other assets of \$2.0 million in 2013 compared to an increase in other assets of \$2.9 million in 2012, resulting primarily from a decrease in prepaid income taxes in 2013 compared to an increase in prepaid income taxes in 2012, and an increase in cash of \$3.0 million resulting from an increase in deferred income taxes of \$0.8 million in 2013 compared to an increase of \$3.8 million in 2012, resulting primarily from the addition of deferred tax assets associated with the acquisition of Evolution Robotics in 2012 and the net effect of changes in deferred tax assets and liabilities associated with operating assets and liabilities. These increases were partially offset by a decrease in cash of \$25.5 million resulting from an increase in accounts receivable (including unbilled revenue) of \$9.9 million in 2013 compared to a decrease of \$15.6 million in 2012, primarily due to an increase in 2013 revenue and an increase in the DSO (days sales outstanding) to 29 days in 2013 from 28 days in 2012, and a decrease in cash of \$8.6 million resulting from an increase in inventory of \$9.4 million in 2013 compared to an increase of \$0.8 million in 2012, primarily due to an increase in 2013 revenue and an increase in the days of inventory on hand to 63 days in 2013 from 61 days in 2012.

Net cash used in investing activities for the fiscal year ended December 28, 2013 was \$18.1 million, representing a decrease of \$64.3 million compared to the \$82.4 million of net cash used in investing activities for the fiscal year ended

December 29, 2012. This decrease in net cash used in investing activities was primarily due to a decrease in cash paid for acquisitions and strategic investments of \$78.5 million, with a strategic investment of \$2.0 million in the preferred shares of InTouch Technologies, Inc. in 2013 compared to \$74.5 million paid for the acquisition of Evolution Robotics and \$6.0 million paid for the purchase of the preferred shares of InTouch Technologies, Inc. in 2012. This decrease was partially offset by cash used in the net purchase of marketable securities of \$9.9 million in 2013 compared to the net sale of marketable securities of \$4.9 million in 2012.

Net cash provided by financing activities for the fiscal year ended December 28, 2013 was \$14.8 million, an increase of \$9.8 million compared to the \$5.0 million of net cash provided by financing activities for the fiscal year ended December 29, 2012. The increase is due primarily to an increase in the proceeds from stock option exercises of \$9.3 million.

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 December 27, 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 December 27, 2014, we had no outstanding borrowings under our working capital line of credit. 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 December 27, 2014, we were in compliance with all covenants under the revolving credit facility.

Letter of Credit Facility

We have an unsecured 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.

As of December 27, 2014, we had letters of credit outstanding of \$3.2 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 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 December 27, 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

We generally do not enter into binding purchase commitments. Our principal commitments consist of obligations under our working capital line of credit, leases for office space and minimum contractual obligations for services. Other obligations consist of software licensing arrangements and advertising agreements for corporate branding. The following table describes our commitments to settle contractual obligations in cash as of December 27, 2014:

	Payments Due by Period				Total
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	
	(In thousands)				
Operating leases	\$ 3,460	\$ 5,053	\$ 4,766	\$ 794	\$ 14,073
Other obligations	523	125	—	—	648
Total	<u>\$ 3,983</u>	<u>\$ 5,178</u>	<u>\$ 4,766</u>	<u>\$ 794</u>	<u>\$ 14,721</u>

At December 27, 2014, we had outstanding purchase orders aggregating approximately \$78.1 million. The purchase orders, the majority of which are with our 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.

Off-Balance Sheet Arrangements

As of December 27, 2014, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, "Presentation of Financial Statements - Going Concern." ASU No. 2014-15 requires management of public and private companies to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. The new standard is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. We do not believe that the impact of this amendment will be material to our consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASU No. 2014-12 requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. It is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We are currently assessing the potential impact of ASU No. 2014-12 on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in

exchange for those goods or services. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently assessing the potential impact of ASU No. 2014-09 on our consolidated financial statements.

On April 10, 2014, the FASB issued ASU No. 2014-08 “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU No. 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective on a prospective basis for fiscal years beginning after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted for new disposals (or new classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. We are currently assessing the future impact of ASU No. 2014-08 on our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11 “Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Exists”, 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 guidance clarifies prior guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when certain situations exist at the reporting date. This guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The impact of this amendment on our consolidated financial statements was not material.

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

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Foreign Currency Exchange Risk

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 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.

Interest Rate Sensitivity

At December 27, 2014, we had unrestricted cash and cash equivalents of \$186.0 million and short term investments of \$36.2 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 December 27, 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 at the time of the borrowing. At December 27, 2014, we had letters of credit outstanding of \$3.2 million under our revolving letter of credit facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**iROBOT CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	41
Consolidated Balance Sheets at December 27, 2014 and December 28, 2013	42
Consolidated Statements of Income for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012	43
Consolidated Statements of Comprehensive Income for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012	43
Consolidated Statements of Stockholders' Equity for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012	45
Consolidated Statements of Cash Flows for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012	46
Notes to Consolidated Financial Statements	47

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
iRobot Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of iRobot Corporation and its subsidiaries at December 27, 2014 and December 28, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 27, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 27, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 13, 2015

iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 27, 2014	December 28, 2013
(In thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 185,957	\$ 165,404
Short term investments	36,166	21,954
Accounts receivable, net of allowance of \$67 at December 27, 2014 and December 28, 2013	71,056	39,348
Unbilled revenue	2,614	856
Inventory	47,857	46,107
Deferred tax assets	21,505	20,144
Other current assets	9,704	6,848
Total current assets	374,859	300,661
Property and equipment, net	31,297	23,661
Deferred tax assets	8,409	10,095
Goodwill	48,751	48,751
Intangible assets, net	19,146	22,668
Other assets	10,751	10,501
Total assets	\$ 493,213	\$ 416,337

**LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED AND
STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 60,256	\$ 41,344
Accrued expenses	18,701	14,880
Accrued compensation	16,235	19,606
Deferred revenue and customer advances	3,849	5,085
Total current liabilities	99,041	80,915
Long term liabilities	3,736	4,733
Commitments and contingencies (Note 11):		
Redeemable convertible preferred stock, 5,000,000 shares authorized and no shares issued or outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; and 29,644,602 and 28,935,253 shares issued and outstanding at December 27, 2014 and December 28, 2013, respectively	297	289
Additional paid-in capital	249,409	227,175
Retained earnings	140,881	103,078
Accumulated other comprehensive income	(151)	147
Total stockholders' equity	390,436	330,689
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 493,213	\$ 416,337

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands, except per share amounts)		
Revenue	\$ 556,846	\$ 487,401	\$ 436,244
Cost of revenue(1)	298,791	266,247	241,896
Gross margin	258,055	221,154	194,348
Operating expenses:			
Research and development(1)	69,408	63,649	57,066
Selling and marketing(1)	86,091	71,529	66,412
General and administrative(1)	49,439	53,358	45,698
Total operating expenses	204,938	188,536	169,176
Operating income	53,117	32,618	25,172
Other income (expense), net	(708)	(203)	435
Income before income taxes	52,409	32,415	25,607
Income tax expense	14,606	4,774	8,310
Net income	\$ 37,803	\$ 27,641	\$ 17,297
Net income per share			
Basic	\$ 1.28	\$ 0.97	\$ 0.63
Diluted	\$ 1.25	\$ 0.94	\$ 0.61
Number of shares used in per share calculations			
Basic	29,485	28,495	27,577
Diluted	30,210	29,354	28,301

(1) Stock-based compensation recorded in fiscal 2014, 2013 and 2012 breaks down by expense classification as follows:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Cost of revenue	\$ 865	\$ 700	\$ 889
Research and development	3,359	2,700	1,904
Selling and marketing	1,296	1,246	808
General and administrative	8,258	8,763	7,382

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Net income, as reported	\$ 37,803	\$ 27,641	\$ 17,297
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on investments, net of tax	(298)	(52)	48
Total comprehensive income	\$ 37,505	\$ 27,589	\$ 17,345

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Value				
Balance at December 31 2011	27,216,555	\$ 272	\$ 184,395	\$ 58,140	\$ 151	\$ 242,958
Issuance of common stock for exercise of stock options	390,956	4	4,322			4,326
Conversion of deferred compensation	823	—	—			—
Vesting of restricted stock units	204,053	2	(2)			—
Tax benefit of excess stock based compensation deduction			902			902
Amortization of deferred compensation relating to stock options and restricted stock			10,983			10,983
Stock withheld to cover tax withholdings requirements upon vesting of restricted stock units	(30,728)		(784)			(784)
Unrealized gain/(loss) on short term investment					48	48
Directors' deferred compensation			87			87
Net income				17,297		17,297
Balance at December 29, 2012	27,781,659	\$ 278	\$ 199,903	\$ 75,437	\$ 199	\$ 275,817
Issuance of common stock for exercise of stock options	840,951	8	13,621			13,629
Conversion of deferred compensation	9,780	—	—			—
Vesting of restricted stock units	348,141	3	(3)			—
Tax benefit of excess stock based compensation deduction			1,413			1,413
Amortization of deferred compensation relating to stock options and restricted stock			13,409			13,409
Stock withheld to cover tax withholdings requirements upon vesting of restricted stock units	(45,278)		(1,212)			(1,212)
Unrealized gain/(loss) on short term investment					(52)	(52)
Directors' deferred compensation			44			44
Net income				27,641		27,641
Balance at December 28, 2013	28,935,253	\$ 289	\$ 227,175	\$ 103,078	\$ 147	\$ 330,689
Issuance of common stock for exercise of stock options	486,252	5	8,938			8,943
Vesting of restricted stock units	318,367	3	(3)			—
Tax benefit of excess stock based compensation deduction			2,776			2,776
Amortization of deferred compensation relating to stock options and restricted stock			13,778			13,778
Stock withheld to cover tax withholdings requirements upon vesting of restricted stock units	(39,297)		(1,626)			(1,626)
Unrealized gain/(loss) on short term investment					(298)	(298)
Directors' deferred compensation			49			49
Stock repurchases	(55,973)		(1,678)			(1,678)
Net income				37,803		37,803
Balance at December 27, 2014	29,644,602	\$ 297	\$ 249,409	\$ 140,881	\$ (151)	\$ 390,436

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 37,803	\$ 27,641	\$ 17,297
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,049	12,169	11,672
Loss on disposal of property and equipment	246	189	1,332
Goodwill and intangible assets impairment	—	1,988	—
Stock-based compensation	13,778	13,409	10,983
Deferred income taxes, net	3,101	(768)	(3,763)
Tax benefit of excess stock based compensation deductions	(3,051)	(2,406)	(1,445)
Non-cash director deferred compensation	49	44	87
Changes in operating assets and liabilities — (use) source			
Accounts receivable	(31,708)	(9,935)	15,560
Unbilled revenue	(1,758)	340	1,166
Inventory	(2,387)	(9,365)	(807)
Other assets	(2,856)	1,980	(2,892)
Accounts payable	16,249	(1,743)	(8,684)
Accrued expenses	3,695	1,255	(656)
Accrued compensation	(3,371)	7,751	(6,106)
Deferred revenue	(1,236)	(1,172)	4,730
Long term liabilities	(997)	515	(613)
Net cash provided by operating activities	<u>40,606</u>	<u>41,892</u>	<u>37,861</u>
Cash flows from investing activities:			
Additions of property and equipment	(13,774)	(6,829)	(6,770)
Change in other assets	(250)	(2,000)	(6,000)
Purchase of Evolution Robotics, Inc., net of cash received	—	—	(74,530)
Purchase of investments	(31,219)	(17,946)	(5,086)
Sales of investments	16,500	8,044	10,000
Proceeds from sale of assets	—	650	—
Net cash used in investing activities	<u>(28,743)</u>	<u>(18,081)</u>	<u>(82,386)</u>
Cash flows from financing activities:			
Income tax withholding payment associated with restricted stock vesting	(1,626)	(1,212)	(784)
Proceeds from stock option exercises	8,943	13,629	4,326
Stock repurchases	(1,678)	—	—
Tax benefit of excess stock based compensation deductions	3,051	2,406	1,445
Net cash provided by financing activities	<u>8,690</u>	<u>14,823</u>	<u>4,987</u>
Net increase (decrease) in cash and cash equivalents	<u>20,553</u>	<u>38,634</u>	<u>(39,538)</u>
Cash and cash equivalents, at beginning of period	165,404	126,770	166,308
Cash and cash equivalents, at end of period	<u>\$ 185,957</u>	<u>\$ 165,404</u>	<u>\$ 126,770</u>
Supplemental disclosure of cash flow information			
Cash paid for income taxes	\$ 15,508	\$ 7,235	\$ 11,663
Non-cash investing and financing activities:			
Transfer of inventory to property and equipment	637	223	—
Additions of property and equipment included in accounts payable	3,235	572	—

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Reorganization

In fiscal year 2012, the Company initiated a reorganization that resulted in, among other things, the centralization of all of the Company's engineering and operations activities. This reorganization was completed at the beginning of fiscal year 2013. In conjunction with this reorganization, the Company reviewed the financial statement classification of its costs and expenses. As a result of this review, the Company decided to classify certain expenses differently than had been classified and presented in prior periods to provide a more clear understanding of the Company's financial performance. As part of this review, the Company also evaluated the impact of the reorganization on its segment reporting and determined that certain modifications were necessary to present the segment information as now viewed by the Company's chief operating decision maker. Although the classification of certain expenses on the income statement changed in fiscal year 2013 as compared to prior periods, the Company recast the financial results of prior periods in a manner consistent with the fiscal year 2014 and 2013 presentation for comparability purposes. The reclassified amounts reflected in the consolidated statement of income for the year ended December 29, 2012 included herein conforms to the fiscal year 2014 and 2013 presentation. This reclassification of costs and expenses did not impact previously reported net income or earnings per share as the changes only impacted the categorization of costs within the consolidated statements of income for the periods in question. Consequently, the classification changes did not impact previously presented consolidated balance sheets, statements of cash flow or statements of stockholders' equity.

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 will end on the Saturday that falls closest to the last day of the third month of each quarter.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the time of purchase to be cash equivalents. The Company invests its excess cash primarily in money market funds or savings accounts of major financial institutions. Accordingly, its cash equivalents are subject to minimal credit and market risk. At December 27, 2014 and December 28, 2013, cash equivalents were comprised of money market funds totaling \$109.8 million and \$101.4 million, respectively. These cash equivalents are carried at cost, which approximates fair value.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Short Term Investments

The Company's investments are classified as available-for-sale and are recorded at fair value with any unrealized gain or loss recorded as an element of stockholders' equity. The fair value of investments is determined based on quoted market prices at the reporting date for those instruments. As of December 27, 2014 and December 28, 2013, investments consisted of:

	December 27, 2014		December 28, 2013	
	Cost	Fair Market Value	Cost	Fair Market Value
	(In thousands)			
Corporate and government bonds	\$ 36,659	\$ 36,166	\$ 22,134	\$ 21,954
Total short term investments	\$ 36,659	\$ 36,166	\$ 22,134	\$ 21,954

As of December 27, 2014, the Company's investments had maturity dates ranging from July 2015 to March 2018. The Company invests primarily in investment grade securities and limits the amount of investment in any single issuer.

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 and Canadian resellers of home robots are typically subject to agreements allowing for limited rights of return, rebates and price protection. The Company also provides limited rights of returns for direct-to-consumer sales generated through its on-line stores. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights of return, rebates and price protection at the time the related sale is recorded. The estimates for rights of return are directly based on specific terms and conditions included in the reseller agreements, historical returns experience and various other assumptions that the Company believes are reasonable under the circumstances. In the case of new product introductions, the estimates for returns applied to the new products are based upon the estimates for the most similar predecessor products until such time that the Company has enough actual returns experience for the new products, which is typically two holiday return cycles. At that time, the Company incorporates that data into the development of returns estimates for the new products. The Company updates its analysis of returns on a quarterly basis. If actual returns differ significantly from the Company's estimates, or if modifications to individual reseller agreements are entered into that impact their rights of returns, such differences could result in an adjustment to previously established reserves and could have a material impact, either favorably or unfavorably, on the Company's results of operations for the period in which the actual returns become known or the reseller agreement is modified. 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 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 provisional 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 December 27, 2014, fiscal years 2012 through 2014 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

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for the estimated amount of accounts receivable that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables.

Activity related to the allowance for doubtful accounts was as follows:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Balance at beginning of period	\$ 67	\$ 111	\$ 87
Provision	—	—	37
Deduction(*)	—	(44)	(13)
Balance at end of period	<u>\$ 67</u>	<u>\$ 67</u>	<u>\$ 111</u>

(*) Deductions related to allowance for doubtful accounts represent amounts written off against the allowance, less recoveries.

Inventory

Inventory is stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out (FIFO) method. The Company maintains a reserve for inventory items to provide for an estimated amount of excess or obsolete inventory.

Activity related to the inventory reserve was as follows:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Balance at beginning of period	\$ 5,280	\$ 6,608	\$ 2,568
Provision	1,045	1,571	5,101
Deduction(*)	(1,074)	(2,899)	(1,061)
Balance at end of period	<u>\$ 5,251</u>	<u>\$ 5,280</u>	<u>\$ 6,608</u>

(*) Deductions related to inventory reserve accounts represent amounts written off against the reserve.

Property and Equipment

Property and equipment are recorded at cost and consist primarily of computer equipment, leasehold improvements, business applications software and machinery. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	Estimated Useful Life
Computer and research equipment	3 years
Furniture	5
Machinery	2-5
Tooling	2-5
Business applications software	5-7
Capital leases and leasehold improvements	Lesser of economic benefit period or term of lease

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Expenditures for additions, renewals and betterments of plant and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. As assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Long-Lived Assets, including Purchased Intangible Assets

The Company periodically evaluates the recoverability of long-lived assets, including other purchased intangible assets whenever events and changes in circumstances, such as reductions in demand or significant economic slowdowns in the industry, indicate that the carrying amount of an asset may not be fully recoverable. When indicators of impairment are present, the carrying values of the asset group are evaluated in relation to the future undiscounted cash flows of the underlying business. The net book value of the underlying asset is adjusted to fair value if the sum of the expected discounted cash flows is less than book value. Fair values are based on estimates of market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

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 each year.

Research and Development

Costs incurred in the research and development of the Company's products, classified as cost of revenue and research and development, are expensed as incurred.

Internal Use Software

The Company capitalizes costs associated with the development and implementation of software for internal use. At December 27, 2014 and December 28, 2013, the Company had \$8.2 million and \$8.2 million, respectively, of costs related to enterprise-wide software included in fixed assets. Capitalized costs are being amortized over the assets' estimated useful lives. The Company has recorded \$0.8 million, \$0.9 million and \$1.0 million of amortization expense for the years ended December 27, 2014, December 28, 2013 and December 29, 2012, respectively.

Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable. Management believes its credit policies are prudent and reflect normal industry terms and business risk. At December 27, 2014, two customers accounted for a total of 32% of the Company's accounts receivable balance, each of which was greater than 10% of the balance and each of whom secured their balance with guaranteed letters of credit. At December 28, 2013, two customers accounted for a total of 37% of the Company's accounts receivable balance, each of which was greater than 10% of the balance and each of whom secured their balance with guaranteed letters of credit. For the years ended December 27, 2014, December 28, 2013 and December 29, 2012, revenue from U.S. federal government orders, contracts and subcontracts, represented 4.3%, 6.2% and 15.1% of total revenue, respectively. For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, the Company generated an aggregate of 29.8%, 33.2% and 30.6%, respectively, of total revenue from its home robots distributor in Japan and a network of affiliated European distributors of its home robots.

The Company maintains its cash in bank deposit accounts at high quality financial institutions. The individual balances, at times, may exceed federally insured limits.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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 cost as expense ratably on a straight-line basis over the requisite service period, net of estimated forfeitures.

Advertising Expense

The Company expenses advertising costs as they are incurred. During the years ended December 27, 2014, December 28, 2013 and December 29, 2012 advertising expense totaled \$46.1 million, \$38.2 million and \$34.9 million, respectively.

Net Income Per Share

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

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Net income	\$ 37,803	\$ 27,641	\$ 17,297
Weighted-average shares outstanding	29,485	28,495	27,577
Dilutive effect of employee stock options and restricted shares	725	859	724
Diluted weighted average shares outstanding	30,210	29,354	28,301
Basic income per share	\$ 1.28	\$ 0.97	\$ 0.63
Diluted income per share	\$ 1.25	\$ 0.94	\$ 0.61

Potentially dilutive securities representing approximately 0.2 million, 0.7 million and 0.8 million shares of common stock for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, 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. The statute of limitations for examinations by federal and state tax authorities is closed for fiscal years prior to 2011. Federal and state carryforward attributes that were generated prior to fiscal year 2011 may still be adjusted upon examination by the Internal Revenue Service (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 circumstances, for example, recurring periods of income for tax purposes following historical periods of cumulative losses, generation of tax credits compared to future utilization of credits, or changes in tax laws or regulations. The Company's income tax provision and its assessment of the ability to realize its deferred tax assets involve significant judgments and estimates. The Company is currently generating state research credits that exceed the amount being utilized. As a result of this trend, a valuation allowance may be needed in the future related to these state tax credits.

As of December 28, 2013, the Company maintained a valuation allowance of \$2.1 million related to certain state tax attributes from the Evolution Robotics, Inc. acquisition. During the year ended December 27, 2014, this valuation allowance was released when the realization of these state tax attributes became more likely than not.

Comprehensive Income

Accumulated other comprehensive income includes unrealized gains and losses on certain investments. The differences between net income and comprehensive income were related to unrealized gains (losses) on investments, net of tax.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 December 27, 2014, were as follows:

<u>Description</u>	Fair Value Measurements as of December 27, 2014		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Money market funds	\$ 109,843	\$ —	\$ —
Corporate and government bonds	—	36,166	—
Total assets measured at fair value	<u>\$ 109,843</u>	<u>\$ 36,166</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 and realized and unrealized gains and losses are included in comprehensive income for that period. The fair value of the Company's bond investments are included in short term investments in its consolidated balance sheets.

Non-financial Assets

The Company's non-financial assets, which include goodwill, intangible assets, and property and equipment are not required to be measured at fair value on a recurring basis. However, the Company evaluates the non-financial assets for impairment if a trigger event occurs, or when an annual impairment test is performed. If the asset is determined to be impaired, the asset is required to be recorded at fair value.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, "Presentation of Financial Statements - Going Concern." ASU No. 2014-15 requires management of public and private companies to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. The new standard is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. The Company does not believe that the impact of this amendment will be material to the Company's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASU No. 2014-12 requires a

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. It is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is currently assessing the potential impact of ASU No. 2014-12 on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently assessing the potential impact of ASU No. 2014-09 on its consolidated financial statements.

On April 10, 2014, the FASB issued ASU No. 2014-08 "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 changes the criteria for reporting discontinued operations and modifies related disclosure requirements. The new guidance is effective on a prospective basis for fiscal years beginning after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted for new disposals (or new classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company is currently assessing the future impact of ASU No. 2014-08 on its consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11 "Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Exists", 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 guidance clarifies prior guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when certain situations exist at the reporting date. This 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.

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 the impact of recently issued standards, which are not yet effective, will not have a material impact on its consolidated financial statements upon adoption.

3. Inventory

Inventory consists of the following at:

	December 27, 2014	December 28, 2013
	(In thousands)	
Raw materials	\$ 9,455	\$ 8,520
Work in process	—	—
Finished goods	38,402	37,587
	<u>\$ 47,857</u>	<u>\$ 46,107</u>

4. Property and Equipment

Property and equipment consists of the following at:

	December 27, 2014	December 28, 2013
	(In thousands)	
Computer and equipment	\$ 15,173	\$ 13,715
Furniture	2,297	1,845
Machinery	5,307	3,705
Tooling	18,614	12,228
Leasehold improvements	20,833	15,983
Business applications software	8,214	8,162
	<u>70,438</u>	<u>55,638</u>
Less: accumulated depreciation	39,141	31,977
	<u>\$ 31,297</u>	<u>\$ 23,661</u>

Depreciation expense for the years ended December 27, 2014, December 28, 2013 and December 29, 2012 was \$9.2 million, \$8.1 million, and \$9.9 million, respectively.

5. Other Assets

At December 27, 2014, other assets consisted of three investments totaling \$10.8 million. At December 28, 2013, other assets consisted of two investments totaling \$10.5 million. These investments are accounted for at cost. The Company regularly monitors these investments to determine if facts and circumstances have changed in a manner that would require a change in accounting methodology. Additionally, the Company regularly evaluates whether or not these investments have been impaired by considering such factors as economic environment, market conditions, operational performance and other specific factors relating to the businesses underlying the investments. If any such impairment is identified, a reduction in the carrying value of the investments would be recorded at that time. Since the Company believes the fair value of its investments is greater than the carrying value of its investments, it has not impaired these investments.

6. Accrued Expenses

Accrued expenses consist of the following at:

	December 27, 2014	December 28, 2013
	(In thousands)	
Accrued warranty	\$ 7,769	\$ 6,497
Accrued direct fulfillment costs	1,346	1,362
Accrued sales tax	867	831
Accrued customer deposits	702	103
Accrued rent	701	726
Accrued sales commissions	531	539
Accrued contractors	217	509
Accrued other	6,568	4,313
	<u>\$ 18,701</u>	<u>\$ 14,880</u>

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accrued compensation consists of the following at:

	December 27, 2014	December 28, 2013
	(In thousands)	
Accrued bonus	\$ 8,455	\$ 13,002
Accrued other compensation	7,780	6,604
	\$ 16,235	\$ 19,606

7. Revolving Line of Credit

The Company has an unsecured revolving credit facility with Bank of America, N.A., which is available to fund working capital and other corporate purposes. As of December 27, 2014, the total amount available for borrowing under its credit facility was \$75.0 million and the full amount was available for borrowing. The interest on loans under the credit facility will accrue, at the Company's election, at either (1) LIBOR plus a margin, currently equal to 1.0%, based on the Company's 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 will terminate and all amounts outstanding thereunder will be due and payable in full on December 20, 2018.

As of December 27, 2014, the Company had no borrowings under its revolving credit facility. This credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on the Company's 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, the Company's stock, and consolidate or merge with other entities.

In addition, the Company is 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, the Company's obligations under the credit facility may be accelerated.

As of December 27, 2014, the Company was in compliance with all covenants under its credit facility.

8. Common Stock

Common stockholders are entitled to one vote for each share held and to receive dividends if and when declared by the Board of Directors and subject to and qualified by the rights of holders of the preferred stock. Upon dissolution or liquidation of the Company, holders of common stock will be entitled to receive all available assets subject to any preferential rights of any then outstanding preferred stock.

On April 2, 2014, the Company announced a stock repurchase program. Under the program, the Company may purchase up to \$50 million of its common stock from May 1, 2014 to April 30, 2015. Through December 27, 2014, the Company has repurchased 55,973 shares totaling \$1.7 million in the open market under this stock repurchase plan.

9. Stock Option Plans and Stock-Based Compensation

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 fiscal 2014. The 2005 Plan is the only one of the four 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 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

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 December 27, 2014, there were 4,762,446 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 one 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 typically 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.

In conjunction with the acquisition of Evolution Robotics, Inc. on October 1, 2012, each outstanding and unvested incentive stock option held by Evolution employees as of the acquisition date was automatically converted into stock options of the Company under the same terms and conditions as were applicable to the original Evolution grants. The number of replacement options granted and the associated exercise prices were determined utilizing a conversion ratio as defined in the merger agreement. There were 114,248 incentive stock options issued by the Company as a result of this automatic conversion with exercise prices ranging from \$2.55 to \$4.81. All of these options were granted from the 2007 Plan, which was assumed by the Company as a result of the acquisition.

The Company recognized \$4.1 million of stock-based compensation expense during the fiscal year ended December 27, 2014 for stock options. The unamortized fair value as of December 27, 2014 associated with these grants was \$6.6 million with a weighted-average remaining recognition period of 2.47 years. The Company expects to recognize associated stock-based compensation expense of \$2.9 million, \$2.2 million, \$1.1 million and \$0.4 million in 2015, 2016, 2017 and 2018, respectively.

The fair value of each option grant for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012 was computed on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Risk-free interest rate	1.65% — 1.69%	0.90% — 1.77%	0.63% — 0.90%
Expected dividend yield	—	—	—
Expected life	3.91 — 4.00 years	4.03 — 4.21 years	4.12 — 4.18 years
Expected volatility	52.8% — 56.0%	54.0% — 58.0%	63.0% — 64.0%

The risk-free interest rate is derived from the average U.S. Treasury constant maturity rate, which approximates the rate in effect at the time of grant, commensurate with the expected life of the instrument. The dividend yield is zero based upon the fact the Company has never paid and has no present intention to pay cash dividends. The Company utilizes company specific historical data for purposes of establishing expected volatility and expected term.

Based upon the above assumptions, the weighted average fair value of each stock option granted for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012 was \$15.87, \$11.17 and \$13.23, respectively.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below summarizes stock option plan activity:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value(1)</u>
Outstanding at December 31 2011	2,561,292	\$ 17.17		
Granted	547,948	19.70		
Exercised	(390,956)	11.07		
Canceled	(214,617)	21.91		
Outstanding at December 29, 2012	2,503,667	\$ 18.27		
Granted	293,325	24.60		
Exercised	(840,951)	16.21		
Canceled	(185,666)	22.16		
Outstanding at December 28, 2013	1,770,375	\$ 19.89		
Granted	233,181	37.10		
Exercised	(486,252)	18.39		
Canceled	(43,984)	27.17		
Outstanding at December 27, 2014	<u>1,473,320</u>	<u>\$ 22.89</u>	3.87 years	\$18.2 million
Vested and expected to vest at December 27, 2014	1,419,559	\$ 22.61	3.79 years	\$17.8 million
Exercisable as of December 27, 2014	917,340	\$ 19.32	2.82 years	\$14.2 million
Weighted average fair value of options granted during the fiscal year ended December 27, 2014		\$ 15.87		
Options available for future grant at December 27, 2014	4,762,446			

(1) The aggregate intrinsic value on the table was calculated based upon the positive difference between the closing market value of the Company's stock on December 27, 2014 of \$34.81 and the exercise price of the underlying option.

During fiscal years 2014, 2013, and 2012, the total intrinsic value of stock options exercised was \$10.5 million, \$12.1 million and \$6.2 million, respectively. No amounts relating to stock-based compensation have been capitalized.

The following table summarizes information about stock options outstanding at December 27, 2014:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$ 3.54 - \$ 7.76	156,380	3.68 years	\$ 6.08	134,520	\$ 6.29
8.10 - 14.13	100,551	1.10	13.36	100,551	13.36
14.52 - 14.52	164,442	2.26	14.52	164,442	14.52
14.54 - 22.20	182,584	3.63	19.17	113,901	19.54
22.86 - 22.86	194,508	5.09	22.86	79,614	22.86
24.00 - 25.99	199,546	2.66	24.75	153,876	24.46
26.59 - 33.48	264,971	4.30	31.19	156,756	31.05
33.72 - 35.96	121,445	6.10	35.01	13,680	34.34
37.08 - 37.08	34,500	6.84	37.08	—	—
43.35 - 43.35	54,393	6.19	43.35	—	—
\$ 3.54 - \$43.35	<u>1,473,320</u>	<u>3.87 years</u>	<u>\$ 22.89</u>	<u>917,340</u>	<u>\$ 19.32</u>

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the fiscal year ended December 27, 2014, the Company recognized \$9.7 million of stock-based compensation expense associated with restricted stock units. As of December 27, 2014, December 28, 2013 and December 29, 2012, the unamortized fair value of all restricted stock units was \$20.1 million, \$17.5 million and \$17.9 million, respectively. The Company expects to recognize associated stock-based compensation expense of \$8.3 million, \$6.4 million, \$4.0 million and \$1.4 million in 2015, 2016, 2017 and 2018, respectively.

The table below summarizes activity relating to restricted stock units:

	Number of Shares Underlying Restricted Stock	Weighted Average Grant Date Fair Value
Outstanding at December 31 2011	607,505	\$ 22.77
Granted	685,529	24.62
Vested	(204,053)	21.24
Forfeited	(147,951)	25.07
Outstanding at December 29, 2012	941,030	\$ 24.09
Granted	521,056	25.87
Vested	(348,141)	22.57
Forfeited	(186,291)	24.91
Outstanding at December 28, 2013	927,654	\$ 25.50
Granted	372,159	38.25
Vested	(318,367)	25.38
Forfeited	(71,591)	28.42
Outstanding at December 27, 2014	909,855	\$ 30.53

10. Income Taxes

The components of income tax expense were as follows:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Current			
Federal	\$ 15,128	\$ 6,363	\$ 12,540
State	129	1,124	473
Foreign	91	41	(8)
Total current tax provision	15,348	7,528	13,005
Deferred			
Federal	1,268	(2,026)	(4,003)
State	(2,010)	(728)	(692)
Total deferred tax provision	(742)	(2,754)	(4,695)
Total income tax provision	\$ 14,606	\$ 4,774	\$ 8,310

In certain jurisdictions, an immaterial provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries that the Company expects to distribute in 2015. In other jurisdictions, for the remaining undistributed earnings of non-U.S. subsidiaries, no provision has been made for deferred taxes as these earnings have been indefinitely reinvested. As of December 27, 2014, a deferred tax liability has not been established for approximately \$0.6 million of cumulative undistributed earnings of non-U.S. subsidiaries, as the Company plans to keep these amounts permanently reinvested overseas. The amount of any unrecognized deferred tax liability on these undistributed earnings would be immaterial.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of net deferred tax assets were as follows:

	December 27, 2014	December 28, 2013
	(In thousands)	
Net deferred tax assets		
Current deferred tax assets		
Reserves and accruals	\$ 18,568	\$ 18,554
Stock-based compensation	767	556
Net operating loss carryforwards	2,470	2,470
Foreign tax credits	148	105
Valuation allowance	—	(1,100)
Total current deferred tax assets	<u>21,953</u>	<u>20,585</u>
Non-current deferred tax assets		
Reserves and accruals	586	715
Tax credits	5,927	5,737
Property and equipment	178	1,308
Stock-based compensation	5,011	4,957
Net operating loss carryforwards	3,879	6,587
Valuation allowance	—	(990)
Total non-current deferred tax assets	<u>15,581</u>	<u>18,314</u>
Current deferred tax liabilities		
Prepays	448	441
Total current deferred tax liabilities	<u>448</u>	<u>441</u>
Non-current deferred tax liabilities		
Intangible assets	7,172	8,219
Total non-current deferred tax liabilities	<u>7,172</u>	<u>8,219</u>
Total net deferred tax assets	<u>\$ 29,914</u>	<u>\$ 30,239</u>

As of December 28, 2013, the Company maintained a valuation allowance of \$2.1 million related to certain state tax attributes from the Evolution Robotics, Inc. acquisition. During the year ended December 27, 2014, this valuation allowance was released when realization of these state tax attributes became more likely than not.

The table below summarizes activity relating to the valuation allowance:

Fiscal Year Ended	Balance at beginning of period	Additions Charged to Costs and Expenses	Additions Charged to Goodwill	Deductions	Balance at End of Period
	(In thousands)				
December 29, 2012	\$ —	—	2,691	—	\$ 2,691
December 28, 2013	\$ 2,691	—	—	601	\$ 2,090
December 27, 2014	\$ 2,090	—	—	2,090	\$ —

The net deferred tax assets after valuation allowance as of December 27, 2014 and December 28, 2013 were \$29.9 million and \$30.2 million, respectively.

The Company has federal and state net operating loss carryforwards of \$34.5 million and \$45.0 million as of December 27, 2014 and December 28, 2013, respectively, which expire from 2028 to 2032. The Company has federal and state research and development credit carryforwards of \$9.1 million and \$8.9 million as of December 27, 2014 and December 28, 2013, respectively, which expire from 2022 to 2029. The Company has state investment tax credit carryforwards of \$0.7 million and \$0.6 million as of December 27, 2014 and December 28, 2013, respectively, which expire from 2015 to 2024. Under the Internal Revenue Code, certain substantial changes in the Company's ownership could result in an annual limitation on the amount of these tax carryforwards which can be utilized in future years. As of

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 27, 2014, the Company has \$34.5 million of net operating loss carryforwards and \$2.2 million of federal and state research and development credits related to the acquisition of Evolution Robotics that are limited by Section 382 and Section 383, respectively, of the Internal Revenue Code. However, these limitations are not expected to cause any of these net operating loss carryforwards or federal and state research and development credits to expire unused.

The reconciliation of the expected tax (benefit) expense (computed by applying the federal statutory rate to income before income taxes) to actual tax expense was as follows:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Expected federal income tax	\$ 18,344	\$ 11,345	\$ 8,962
Miscellaneous permanent items	691	405	338
State taxes (net of federal benefit)	1,058	867	497
Federal and state credits	(1,487)	(3,909)	(418)
Change in valuation allowance	(2,090)	—	—
Domestic production activities deduction	(1,562)	(1,168)	(1,100)
Settlement of uncertain tax positions	(176)	(2,696)	—
Other	(172)	(70)	31
	<u>\$ 14,606</u>	<u>\$ 4,774</u>	<u>\$ 8,310</u>

A summary of the Company's adjustments to its gross unrecognized tax benefits, inclusive of interest, in the current year is as follows:

	Fiscal Year Ended December 27, 2014
Balance at beginning of period	\$ 2,618
Increase for tax positions related to the current year	252
Decrease for tax positions related to prior years	(108)
Decreases for settlements with applicable taxing authorities	(271)
Decreases for lapses of statute of limitations	—
Balance at end of period	<u>\$ 2,491</u>

The Company accrues interest and, if applicable, penalties for any uncertain tax positions. Interest and penalties are classified as a component of income tax expense. As of December 27, 2014, December 28, 2013 and December 29, 2012, there were no material accrued interest or penalties. Over the next twelve months it is reasonably possible that the Company may recognize approximately \$0.2 million of previously net unrecognized tax benefits related to U.S. federal, state and foreign tax audits and expiration of the statute of limitations. If all of our unrecognized tax benefits as of December 27, 2014 were to become recognizable in the future, we would record a \$1.9 million benefit to the income tax provision, reflective of federal benefit on state items.

Included in the Company's state tax credit carryforwards are unrecognized tax benefits related to stock-based compensation beginning from January 1, 2006 of \$0.5 million and \$0.5 million as of December 27, 2014 and December 28, 2013, respectively. Included in the Company's state net operating loss carryforwards are unrecognized tax benefits related to stock-based compensation beginning from January 1, 2006 of \$0.7 million and \$0 as of December 27, 2014 and December 28, 2013, respectively. These unrecognized tax benefits will be credited to additional paid-in capital when they reduce income taxes payable. Therefore, these amounts were not included in the Company's gross or net deferred tax assets at December 27, 2014 and December 28, 2013.

The Company follows the with and without approach for direct and indirect effects of windfall tax deductions.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Commitments and Contingencies

Legal

From time to time and in the ordinary course of business, the Company is 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 the Company's financial condition or results of operations.

Lease Obligations

The Company leases its facilities. Rental expense under operating leases for fiscal 2014, 2013 and 2012 amounted to \$4.8 million, \$5.3 million, and \$4.4 million, respectively. Future minimum rental payments under operating leases were as follows as of December 27, 2014:

	Operating Leases
2015	\$ 3,460
2016	2,670
2017	2,383
2018	2,383
2019	2,383
Thereafter	794
Total minimum lease payments	<u>\$ 14,073</u>

Outstanding Purchase Orders

At December 27, 2014, we had outstanding purchase orders aggregating approximately \$78.1 million. The purchase orders, the majority of which are with our 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. The term of these indemnification agreements is generally perpetual any time 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 December 27, 2014 and December 28, 2013, respectively.

Government Contract Contingencies

Several of the Company's prime contracts with the U.S. federal government do not contain a limitation of liability provision, creating a risk of responsibility for direct and consequential damages. Several subcontracts with prime contractors hold the prime contractor harmless against liability that stems from our work and do not contain a limitation of liability. These provisions could cause substantial liability for the Company. In addition, the Company is subject to audits by the U.S. federal government as part of routine audits of government contracts. As part of an audit, these agencies may review the Company's performance on contracts, cost structures and compliance with applicable laws, regulations and standards. If any of its costs are found to be allocated improperly to a specific contract, the costs may not be reimbursed and any costs already reimbursed for such contract may have to be refunded. Accordingly, an audit could result in a material adjustment to our revenue and results of operations. Annually, the Company submits final indirect billing rates to DCMA based upon actual costs incurred throughout the year. These final billing rates are subject to audit by DCAA. As of December 27, 2014, fiscal years 2012 through 2014 are open for audit by DCAA.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Warranty

The Company provides warranties on most products and has established a reserve for warranty based on estimated warranty costs. The reserve is included as part of accrued expenses (Note 6) in the accompanying consolidated balance sheets.

Activity related to the warranty accrual was as follows:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Balance at beginning of period	\$ 6,497	\$ 6,057	\$ 10,306
Provision (*)	6,410	1,744	(1,682)
Warranty usage(**)	(5,138)	(1,304)	(2,567)
Balance at end of period	<u>\$ 7,769</u>	<u>\$ 6,497</u>	<u>\$ 6,057</u>

(*) During 2012, the Company recorded favorable adjustments relating to reductions in its international warranty accrual for our home robots business related to our sustained improvements in product quality, resulting in a net credit for its 2012 warranty provision.

(**) 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 a 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.

12. Employee Benefits

The Company sponsors a retirement plan under Section 401(k) of the Internal Revenue Code (the "Retirement Plan"). All Company employees, with the exception of temporary, contract and international employees are eligible to participate in the Retirement Plan after satisfying age and length of service requirements prescribed by the plan. Under the Retirement Plan, employees may make tax-deferred contributions, and the Company, at its sole discretion, and subject to the limits prescribed by the IRS, may make either a nonelective contribution on behalf of all eligible employees or a matching contribution on behalf of all plan participants.

The Company elected to make a matching contribution of approximately \$1.7 million, \$1.5 million and \$1.7 million for the plan years ended December 27, 2014, December 28, 2013 and December 29, 2012 ("Plan-Year 2014," "Plan-Year 2013" and "Plan-Year 2012"), respectively. The employer contribution represents a matching contribution at a rate of 50% of each employee's first six percent contribution. Accordingly, each employee participating during Plan-Year 2014, Plan-Year 2013 and Plan-Year 2012 is entitled up to a maximum of three percent of his or her eligible annual payroll. The employer matching contribution for Plan-Year 2014 is included in accrued compensation in the accompanying consolidated balance sheet.

13. Acquisition of Evolution Robotics, Inc.

On October 1, 2012, the Company acquired 100% of the equity of Evolution Robotics, Inc. (Evolution) for \$74.8 million in cash, including the effect of working capital adjustments and cash received, with \$8.88 million of the purchase price placed into an escrow account to settle certain claims for indemnification for breaches or inaccuracies in Evolution's representations and warranties, covenants and agreements. As of December 27, 2014, all indemnification claims and escrow balances have been released. Evolution was the developer of Mint and Mint Plus automatic floor cleaning robots, based in Pasadena, California, and is included in the Company's home robots business unit.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pro Forma Disclosures (Unaudited)

The following unaudited pro forma consolidated results of operations for fiscal 2012 assume that the acquisition of Evolution occurred as of January 2, 2011.

	<u>Fiscal Year Ended</u>	
	<u>December 29, 2012</u>	
	(In thousands)	
Revenue	\$	445,469
Net Income		8,723

These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred at the beginning of the periods presented or that may be obtained in the future.

14. Goodwill and other intangible assets

The carrying amount of the goodwill at December 27, 2014 is \$48.8 million. \$41.0 million resulted from the acquisition of Evolution Robotics, Inc. in October 2012 and was assigned to the home robots reporting unit. \$7.7 million (net of a subsequent write-down of \$0.2 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 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.

During the second quarter of 2013, the Company decided to refocus its funded research activities. The Company considered this decision to be an impairment indicator, requiring an interim impairment test within the research reporting unit. The Company performed an impairment assessment using the income approach, and determined that goodwill was impaired. The Company recorded an impairment loss of \$0.2 million within general and administrative expenses during the fiscal year ended December 28, 2013.

In the fourth quarter of 2014, the Company completed its annual goodwill impairment test. The first step of the two-step impairment test, which involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill, was completed, and the Company did not identify any additional goodwill impairment.

Other intangible assets include the value assigned to completed technology, research contracts, and trade names. 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 estimated economic benefits of the intangible assets are expected to be utilized.

Intangible assets at December 27, 2014 and December 28, 2013 consisted of the following:

	<u>December 27, 2014</u>				<u>December 28, 2013</u>			
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Impairment Loss</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Impairment Loss</u>	<u>Net</u>
	(In thousands)							
Completed technology	\$ 30,600	\$ 9,691	\$ 1,788	\$ 19,121	\$ 30,600	\$ 6,202	\$ 1,788	\$ 22,610
Research contracts	100	100	—	—	100	100	—	—
Tradename	800	775	—	25	800	742	—	58
Total	<u>\$ 31,500</u>	<u>\$ 10,566</u>	<u>\$ 1,788</u>	<u>\$ 19,146</u>	<u>\$ 31,500</u>	<u>\$ 7,044</u>	<u>\$ 1,788</u>	<u>\$ 22,668</u>

As part of the Company's decision during 2013 to refocus its funded research activities, the Company decided to no longer pursue certain research contracts in which completed technology acquired as part of the acquisition of Nekton Research, LLC was utilized. As a result, the Company performed an impairment assessment of the associated intangible asset using the income approach, and recorded an impairment loss of \$1.8 million within general and administrative expenses during the fiscal year ended December 28, 2013.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amortization expense related to acquired intangible assets was \$3.5 million, \$3.8 million, and \$1.2 million for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, respectively. The estimated future amortization expense related to current intangible assets in each of the five succeeding fiscal years is expected to be as follows:

	(In thousands)
2015	\$ 3,482
2016	3,457
2017	3,457
2018	3,457
2019	2,818
Total	\$ 16,671

15. Restructuring charges

In 2013 and 2012, the Company incurred restructuring charges of \$3.3 million, and \$3.7 million, respectively. The restructuring charges incurred in 2013 primarily related to a \$1.8 million write-down of an intangible asset, costs associated with the closing of its San Luis Obispo, California office and severance-related costs. The restructuring charges incurred in 2012 primarily consisted of cost reductions in its defense and security business unit, which resulted in workforce reductions and the write-off of certain inventory and fixed assets.

The activity for the restructuring programs is presented below:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Balance at beginning of period	\$ 675	\$ 197	\$ —
Charges	—	3,296	3,679
Utilization	(675)	(2,818)	(3,482)
Balance at end of period	\$ —	\$ 675	\$ 197

16. 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 Robots

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 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.

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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:

	Fiscal Year Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
	(In thousands)		
Revenue:			
Home Robots	\$ 507,414	\$ 427,853	\$ 356,805
Defense & Security Robots	45,502	50,003	70,948
Other	3,930	9,545	8,491
Total revenue	<u>556,846</u>	<u>487,401</u>	<u>436,244</u>
Cost of revenue:			
Home Robots	251,095	217,011	174,756
Defense & Security Robots	24,409	24,975	40,468
Other	23,287	24,261	26,672
Total cost of revenue	<u>298,791</u>	<u>266,247</u>	<u>241,896</u>
Gross margin:			
Home Robots	256,319	210,842	182,049
Defense & Security Robots	21,093	25,028	30,480
Other	(19,357)	(14,716)	(18,181)
Total gross margin	<u>258,055</u>	<u>221,154</u>	<u>194,348</u>
Research and development	69,408	63,649	57,066
Selling and marketing	86,091	71,529	66,412
General and administrative	49,439	53,358	45,698
Other income (expense), net	(708)	(203)	435
Income before income taxes	<u>\$ 52,409</u>	<u>\$ 32,415</u>	<u>\$ 25,607</u>

As of December 27, 2014, goodwill of \$41.0 million and purchased intangible assets, net of \$19.1 million recorded in conjunction with the acquisition of Evolution Robotics, Inc. in October 2012 are directly associated with the home robots business unit. Goodwill of \$7.7 million recorded in conjunction with the acquisition of Nekton in September 2008 is directly associated with the defense and security business unit. Other long lived assets are not directly attributable to individual business segments.

Geographic Information

For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, sales to non-U.S. customers accounted for 60.9%, 59.5% and 57.3% of total revenue, respectively.

Significant Customers

For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, U.S. federal government orders, contracts and subcontracts accounted for 4.3%, 6.2% and 15.1% of total revenue, respectively. For the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012 approximately 75.7%, 75.3% and 75.4%, respectively, of our home robot product revenue resulted from sales to 15 customers. For the fiscal years ended December 27, 2014 and December 28, 2013, the Company generated an aggregate of 29.8% and 33.2%, respectively, of its total revenue from its home robots distributor in Japan (Sales on Demand Corporation) and a network of affiliated European distributors of the Company's home robots.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Quarterly Information (Unaudited)

	Fiscal Quarter Ended							
	March 30, 2013	June 29, 2013	September 28, 2013	December 28, 2013	March 28, 2014	June 28, 2014	September 27, 2014	December 27, 2014
	(In thousands, except per share amounts)							
Revenue	\$ 106,195	\$ 130,362	\$ 124,501	\$ 126,343	\$ 114,204	\$ 139,803	\$ 143,497	\$ 159,342
Gross margin	46,558	61,605	54,061	58,930	51,710	62,121	67,889	76,335
Net income (loss)	8,355	8,294	7,804	3,188	5,280	8,530	14,607	9,386
Diluted earnings (loss) per share	\$ 0.29	\$ 0.28	\$ 0.26	\$ 0.11	\$ 0.18	\$ 0.28	\$ 0.48	\$ 0.31

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), of the effectiveness, as of the end of the period covered by this report, of the design and operation of our “disclosure controls and procedures” as defined in Rule 13a-15(e) promulgated by the SEC under the Exchange Act. Based upon that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures, as of the end of such period, were adequate and effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information was accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers and effected by the Company’s board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed the Company’s internal control over financial reporting as of December 27, 2014, based on criteria for effective internal control over financial reporting established in *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management

concluded that the Company maintained effective internal control over financial reporting as of December 27, 2014 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 27, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 27, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. 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 Colin Angle, Chief Executive Officer, Russell Campanello, EVP, Human Resources & Corporate Communications, Paolo Pirjanian, Chief Technical Officer and George McNamee, Director) of the Company have entered into trading plans (each a “Plan” and collectively, the “Plans”) covering periods after the date of this Annual Report on Form 10-K 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, including for revision or termination of an established trading plan, other than in such quarterly and annual reports.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company’s fiscal year ended December 27, 2014.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company’s fiscal year ended December 27, 2014.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company’s fiscal year ended December 27, 2014.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company’s fiscal year ended December 27, 2014.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company’s fiscal year ended December 27, 2014.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 27, 2014 and December 28, 2013

Consolidated Statements of Income for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012

Consolidated Statements of Comprehensive Income for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012

Consolidated Statements of Stockholders' Equity for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012

Consolidated Statements of Cash Flows for the Years ended December 27, 2014, December 28, 2013 and December 29, 2012

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the Notes thereto.

3. Exhibits — See item 15(b) of this report below

(b) Exhibits

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

<u>Exhibit Number</u>	<u>Description</u>
3.1(1)	Form of Second Amended and Restated Certificate of Incorporation of the Registrant dated November 15, 2005
3.2	Amended and Restated By-laws of the Registrant (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 and incorporated by reference herein)
4.1(1)	Specimen Stock Certificate for shares of the Registrant's Common Stock
10.1†(1)	Form of Indemnification Agreement between the Registrant and its Directors and Executive Officers
10.2†	Amended and Restated 2004 Stock Option and Incentive Plan and forms of agreements thereunder (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated by reference herein)
10.3†	Form of Executive Agreement between the Registrant and certain executive officers of the Registrant, as amended (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2010 and incorporated by reference herein)
10.4†(1)	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
10.5†	2005 Stock Option and Incentive Plan, as amended, and forms of agreements thereunder (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2009 and incorporated by reference herein)
10.6#(1)	Manufacturing and Services Agreement between the Registrant and Gem City Engineering Corporation, dated as of July 27, 2004
10.7†	Non-Employee Directors' Deferred Compensation Program, as amended (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2007 and incorporated by reference herein)
10.8	Lease Agreement between the Registrant and Boston Properties Limited Partnership for premises located at 4-18 Crosby Drive, Bedford, Massachusetts, dated as of February 22, 2007 (as amended to date) (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 and incorporated by reference herein)

<u>Exhibit Number</u>	<u>Description</u>
10.9†	Senior Executive Incentive Compensation Plan (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011 and incorporated by reference herein)
10.10†	Form of Deferred Stock Award Agreement under the 2005 Stock Option and Incentive Plan (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 and incorporated by reference herein)
10.11†	Form of Restricted Stock Award Agreement under the 2005 Stock Option and Incentive Plan (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 and incorporated by reference herein)
10.12#	Manufacturing Services Agreement between the Registrant and Jabil Circuit, Inc., dated as of March 18, 2010 (filed as Exhibit 10.1 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 and incorporated by reference herein)
10.13	Amended and Restated Credit Agreement between the Registrant and Bank of America N.A. dated December 20, 2013 (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2013 and incorporated by reference herein)
10.14	Amended and Restated Reimbursement Agreement between the Registrant and Bank of America N.A. dated December 20, 2013 (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2013 and incorporated by reference herein)
10.15#	Manufacturing Services Agreement between the Registrant and Kin Yat Industrial Company Limited, dated as of January 22, 2014 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2014 and incorporated by reference herein)
10.16†*	Evolution Robotics, Inc. 2007 Stock Plan and forms of agreements thereunder
21.1*	Subsidiaries of the Registrant
23.1*	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney (incorporated by reference to the signature page of this report on Form 10-K)
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 Annual Report on Form 10-K for the year ended December 27, 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 Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements

† Indicates a management contract or any compensatory plan, contract or arrangement.

Confidential treatment requested for portions of this document.

(1) Incorporated by reference herein to the exhibits to the Company's Registration Statement on Form S-1 (File No. 333-126907)

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

iROBOT CORPORATION

By: /s/ Colin M. Angle

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

Date: February 13, 2015

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Colin M. Angle and Alison Dean, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities indicated on February 13, 2015.

<u>Signature</u>	<u>Title(s)</u>
<u>/s/ COLIN M. ANGLE</u> Colin M. Angle	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ ALISON DEAN</u> Alison Dean	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
<u>/s/ RONALD CHWANG</u> Ronald Chwang	Director
<u>/s/ MICHELLE V. STACY</u> Michelle V. Stacy	Director
<u>/s/ GAIL DEEGAN</u> Gail Deegan	Director
<u>/s/ ANDREA GEISSER</u> Andrea Geisser	Director

/s/ GEORGE C. MCNAMEE
George C. McNamee

Director

/s/ DEBORAH G. ELLINGER
Deborah G. Ellinger

Director

/s/ PAUL J. KERN
Paul J. Kern

Director

/s/ PAUL SAGAN
Paul Sagan

Director

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
3.1(1)	Form of Second Amended and Restated Certificate of Incorporation of the Registrant dated November 15, 2005
3.2	Amended and Restated By-laws of the Registrant (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 and incorporated by reference herein)
4.1(1)	Specimen Stock Certificate for shares of the Registrant's Common Stock
10.1†(1)	Form of Indemnification Agreement between the Registrant and its Directors and Executive Officers
10.2†	Amended and Restated 2004 Stock Option and Incentive Plan and forms of agreements thereunder (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated by reference herein)
10.3†	Form of Executive Agreement between the Registrant and certain executive officers of the Registrant, as amended (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2010 and incorporated by reference herein)
10.4†(1)	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
10.5†	2005 Stock Option and Incentive Plan, as amended, and forms of agreements thereunder (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2009 and incorporated by reference herein)
10.6#(1)	Manufacturing and Services Agreement between the Registrant and Gem City Engineering Corporation, dated as of July 27, 2004
10.7†	Non-Employee Directors' Deferred Compensation Program, as amended (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2007 and incorporated by reference herein)
10.8	Lease Agreement between the Registrant and Boston Properties Limited Partnership for premises located at 4-18 Crosby Drive, Bedford, Massachusetts, dated as of February 22, 2007 (as amended to date) (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 and incorporated by reference herein)
10.9†	Senior Executive Incentive Compensation Plan (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011 and incorporated by reference herein)
10.10†	Form of Deferred Stock Award Agreement under the 2005 Stock Option and Incentive Plan (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 and incorporated by reference herein)
10.11†	Form of Restricted Stock Award Agreement under the 2005 Stock Option and Incentive Plan (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 and incorporated by reference herein)
10.12#	Manufacturing Services Agreement between the Registrant and Jabil Circuit, Inc., dated as of March 18, 2010 (filed as Exhibit 10.1 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 and incorporated by reference herein)
10.13	Amended and Restated Credit Agreement between the Registrant and Bank of America N.A. dated December 20, 2013 (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2013 and incorporated by reference herein)
10.14	Amended and Restated Reimbursement Agreement between the Registrant and Bank of America N.A. dated December 20, 2013 (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2013 and incorporated by reference herein)
10.15#	Manufacturing Services Agreement between the Registrant and Kin Yat Industrial Company Limited, dated as of January 22, 2014 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2014 and incorporated by reference herein)
10.16†*	Evolution Robotics, Inc. 2007 Stock Plan and forms of agreements thereunder
21.1*	Subsidiaries of the Registrant
23.1*	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney (incorporated by reference to the signature page of this report on Form 10-K)
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 Annual Report on Form 10-K for the year ended December 27, 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 Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements

† Indicates a management contract or any compensatory plan, contract or arrangement.

Confidential treatment requested for portions of this document.

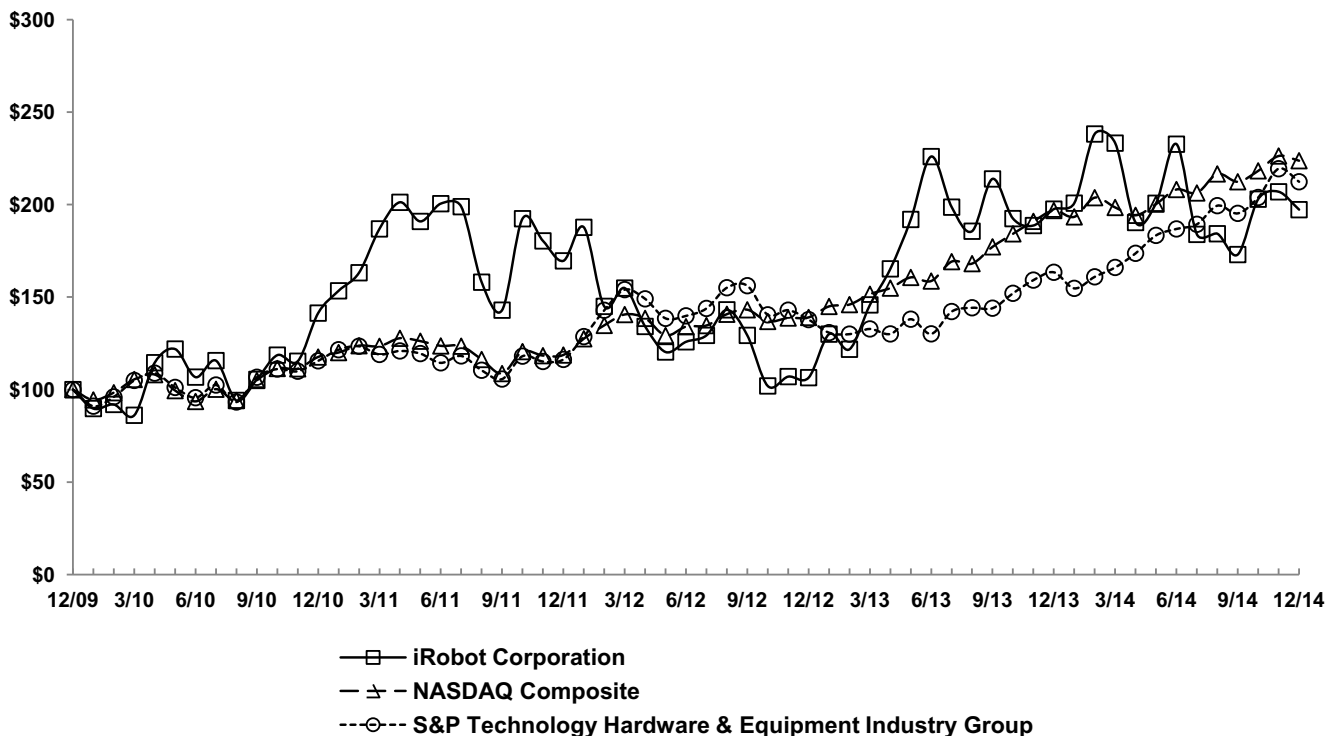
(1) Incorporated by reference herein to the exhibits to the Company's Registration Statement on Form S-1 (File No. 333-126907)

* Filed herewith

The graph below matches iRobot Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the S&P Technology Hardware & Equipment Industry Group index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2009 to 12/31/2014.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among iRobot Corporation, the NASDAQ Composite Index, and S&P Technology Hardware & Equipment Industry Group



*\$100 invested on 12/31/09 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/09	1/10	2/10	3/10	4/10	5/10	6/10	7/10
iRobot Corporation	100.00	89.77	91.99	86.14	114.55	121.93	106.76	115.68
NASDAQ Composite	100.00	94.42	98.34	105.48	108.09	99.46	93.59	100.21
S&P Technology Hardware & Equipment Industry Group	100.00	91.06	96.10	104.98	108.92	101.19	95.64	102.49

	8/10	9/10	10/10	11/10	12/10	1/11	2/11	3/11	4/11	5/11	6/11	7/11	8/11	9/11
	94.15	105.51	118.64	115.34	141.36	153.41	163.18	186.88	201.25	190.91	200.51	198.90	158.07	142.95
	94.12	104.95	111.43	111.25	117.61	120.02	123.72	123.42	127.76	126.18	123.62	123.48	116.29	108.68
	93.31	106.69	111.14	109.95	115.57	121.57	123.46	119.02	120.90	119.48	114.49	118.22	110.48	105.73

	10/11	11/11	12/11	1/12	2/12	3/12	4/12	5/12	6/12	7/12	8/12	9/12	10/12	11/12
	192.39	180.40	169.60	187.73	145.00	154.89	134.15	120.34	125.85	129.32	143.13	129.32	101.99	107.05
	120.56	118.35	118.70	127.49	134.71	140.58	138.52	129.23	134.01	134.62	140.75	143.16	136.85	138.70
	118.10	115.22	116.32	128.66	142.89	154.05	149.07	138.53	139.88	143.89	155.09	156.18	140.43	142.95

	12/12	1/13	2/13	3/13	4/13	5/13	6/13	7/13	8/13	9/13	10/13	11/13	12/13	1/14
	106.48	130.00	121.82	145.80	165.28	191.99	225.97	198.64	185.63	213.89	192.44	188.69	197.56	200.80
	139.00	144.96	145.96	151.58	154.87	160.65	158.69	169.19	168.11	177.19	184.22	190.97	196.83	193.38
	137.86	130.80	130.01	132.81	130.11	138.08	130.15	142.21	144.25	144.02	152.07	159.20	163.43	154.74

	2/14	3/14	4/14	5/14	6/14	7/14	8/14	9/14	10/14	11/14	12/14
	238.18	233.24	190.34	200.74	232.67	183.92	184.26	173.01	202.95	206.93	197.27
	203.77	198.47	194.23	200.29	208.18	206.31	216.61	212.37	218.27	226.29	223.74
	160.98	166.05	173.69	183.38	186.86	189.37	199.44	195.29	203.86	219.41	212.36

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Corporate Office

8 Crosby Drive
Bedford, Massachusetts 01730
Phone: 781.430.3000
Fax: 781.430.3001

Transfer Agent

Computershare Trust
Company, Inc.
350 Indiana Street
Suite 750
Golden, Colorado 80401
Phone: 303.262.0600

Legal Counsel

Goodwin Procter LLP
Exchange Place
53 State Street
Boston, Massachusetts 02109
Phone: 617.570.1000

**Independent Registered
Public Accounting Firm**

PricewaterhouseCoopers LLP
125 High Street
Boston, Massachusetts 02110
Phone: 617.530.5000

Common Stock Information

Our common stock is traded on the Nasdaq
National Market under the
symbol IRBT.

Investor Information

Elise P. Caffrey
SVP, Finance & Investor Relations

A copy of our financial reports, stock
quotes, news releases, SEC filings, as
well as information on our products is
available in the Investor Relations section of
www.irobot.com

Board Members

Colin M. Angle
Co-founder, Chairman of the Board and
Chief Executive Officer

Dr. Ronald Chwang
Director

Gail Deegan
Director

Deborah G. Ellinger
Director

Andrea Geisser
Director, Audit Committee Chair

General Paul J. Kern
(U.S. Army, Ret.)
Director

George C. McNamee
Lead Independent Director, Compensation
Committee Chair

Paul L. Sagan
Director, Nominating & Corporate
Governance Committee Chair

Executive Team

Colin M. Angle
Chief Executive Officer

Alison Dean
Executive Vice President, Chief Financial
Officer and Treasurer

Russell Campanello
Executive Vice President, Human Resources
and Corporate Communications

Paolo Pirjanian
Executive Vice President, Chief Technology
Officer

Glen D. Weinstein
Executive Vice President, Chief Legal
Officer

Christian Cerda
Senior Vice President and General Manager,
Home Robots Business Unit

iRobot Mission | Empowering People To Do More

iRobot[®]

Corporate Headquarters

8 Crosby Drive
Bedford, MA 01730
USA

Phone: 781.430.3000
Fax: 781.430.3001

www.irobot.com
info@irobot.com