



April 17, 2017

Dear Fellow Stockholder,

You are cordially invited to attend the Annual Meeting of stockholders of iRobot Corporation, a Delaware corporation (the “Company”), to be held on Tuesday, May 23, 2017, at 8:30 a.m., local time, at the Company’s headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730.

At this annual meeting, you will be asked to (1) elect three (3) Class III directors, each to serve for a three-year term; (2) ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants for the current fiscal year; (3) approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements; (4) approve amendments to our amended and restated certificate of incorporation to declassify the board of directors; (5) approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting; (6) approve the 2017 Employee Stock Purchase Plan (the “ESPP”); (7) approve, on an advisory basis, the compensation of our named executive officers; and (8) hold an advisory vote on the frequency of future advisory votes on the compensation of our named executive officers.

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 amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements, FOR approval of amendments to our amended and restated certificate of incorporation to declassify the board of directors, FOR approval of amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting, FOR approval of the ESPP, FOR approval on an advisory basis, of the compensation of our named executive officers, and for approval on an advisory basis, of a proposal to hold future advisory votes on the compensation of our named executive officers every 1 YEAR. Details regarding the matters to be acted upon at this annual meeting appear in the accompanying proxy statement. Please give the accompanying materials 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.

Because approval of Proposals 3, 4 and 5 requires the affirmative vote of at least 75% of the outstanding shares, your vote will be especially important at this year’s annual meeting.

Thank you for your continued support, interest and investment in iRobot.

Sincerely,

A handwritten signature in black ink, appearing to read 'Colin M. Angle', is positioned above the printed name.

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

SUMMARY OF RECENT AND PROPOSED 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 changes and proposed changes that are described in more detail in the proxy statement.

	2014	2015	2016	2017 – Proposed Changes
Corporate Governance	Termination of rights plan - “poison pill” Adopted majority voting standard for election of directors	Recommended adoption of majority voting standards for a) removal of directors, b) amendments to our by-laws, and c) amendments to certain provisions of our certificate of incorporation*	Recommended adoption of majority voting standards for a) removal of directors, b) amendments to our by-laws, and c) amendments to certain provisions of our certificate of incorporation Recommended annual election of directors on phased-in basis** Codified Lead Independent Director role Adopted proxy access	Recommending adoption of majority voting standards for a) removal of directors, b) amendments to our by-laws, and c) amendments to certain provisions of our certificate of incorporation. Recommending annual election of directors commencing at the 2018 annual meeting*** Recommending amendments to our by-laws and certificate of incorporation to allow stockholders to call special meetings
Board Refreshment	Added Michelle Stacy, consumer expertise; Jacques Gansler, defense - retired	Added Mohamad Ali, technology/cloud expertise; Paul Kern, defense - retired; Paul Sagan, technology - retired	Added Michael Bell, technology/cloud expertise; Added Andrew Miller, finance/technology expertise; George McNamee, finance - retired	Added Elisha Finney, finance/technology; Gail Deegan, finance - retiring; Andrea Geisser, finance - retiring
Executive Compensation	Designed 50% of executive LTI to be based on Company’s performance	Adopted a clawback policy		Modified executive LTI to (i) remove options and increase performance share units (PSUs) to 50% and (ii) require performance of PSUs to be measured over the full three-year performance period (no annual targets and no make-up provisions)

Over the past four years we have added five independent directors with extensive experience in consumer businesses, global branding, strategic software development, cloud infrastructure, data analytics and finance while retiring several with experience that was no longer relevant to the Company’s strategy. We continually evaluate our board member skills for alignment with iRobot’s strategic goals.

Corporate Governance

In 2014, we eliminated our rights plan or “poison pill” and adopted a majority voting standard for election of directors. In 2015, we recommended adoption of majority voting standards for a) removal of directors, b) amendments to our by-laws, and c) amendments to certain provisions of our certificate of incorporation. While the proposal received overwhelming support from voting stockholders, it did not receive the support of 75% of outstanding shares necessary for adoption. The board again submitted the proposal to the stockholders for a vote in 2016 and engaged a proxy solicitor to help secure the necessary votes for passage; however, the proposal again did not receive the requisite support of 75% of the outstanding shares. The board is submitting the proposal for approval by the stockholders at the 2017 annual meeting and has hired a proxy solicitor to help in soliciting approval for this proposal.

- * 2015 — Proposal received overwhelming support from voting stockholders (99%), though received the support of only 58% of the outstanding shares, which was short of the 75% of outstanding shares necessary for approval.
- ** 2016 — Hired a proxy solicitor to obtain the necessary number of votes to pass the proposal. Despite overwhelming stockholder support from voting stockholders (96%), the proposal received 71% of the total outstanding shares, again short of the 75% approval threshold.
- *** 2017 — Engaged a proxy solicitor to obtain the necessary votes and further demonstrate the board of directors’ support of the proposal and commitment to corporate governance best practices.

Executive Compensation

In response to investor feedback in 2016, we modified the long-term incentive, or LTI, component of our executive compensation plan effective in fiscal year 2017. The revised plan moves to a mix of 50% performance share units, or PSUs, and 50% time-based restricted stock units. The PSUs have metrics based on financial performance of the Company measured at the end of a three-year performance period. We also added the ability to achieve an above target payout for PSUs starting in 2017 for achievement of the performance metrics above target levels.

Board of Directors

The following matrix summarizes our directors’ skills that are critical to our company’s success:

Skills Matrix										
Board Members	Public Co. Leadership	Public Co. Board Experience	Finance and Capital Management	Global Operating Experience	Consumer Products	Consumer Technology	Software/ SaaS	Internet of Things	Robotics	Diversity
Colin Angle	X	X	X	X	X	X	X	X	X	
Mohamad Ali	X	X	X	X	X	X	X	X		X
Michael Bell	X	X	X	X	X	X	X	X		
Ronald Chwang	X	X	X	X	X	X		X	X	X
Gail Deegan*	X	X	X	X		X	X	X		X
Deborah Ellinger	X	X	X	X	X	X				X
Andrea Geisser*		X	X	X	X	X				
Michelle Stacy	X	X	X	X	X	X				X
<i>Recently Appointed iRobot Board Members Recommended for Election</i>										
Elisha Finney	X	X	X	X		X	X			X
Andrew Miller	X	X	X	X	X	X	X	X		

* Ms. Deegan and Mr. Geisser will not be standing for re-election at the 2017 Annual Meeting

The following summarizes key information about the board of directors:

<i>Board and Governance Information*</i>	
8	Size of Board
7	Number of Independent Directors
59	Average Age of Directors
16	Board Meetings Held in Fiscal 2016
4.5	Average Tenure of Independent Directors (in years)
63%	Independent Directors Added in the Last Three Years
✓	Annual Election of Directors**
✓	Proxy Access
✓	Majority Voting for Directors
✓	No Supermajority Voting Requirements***
✓	Lead Independent Director
✓	Independent Directors Meet Without Management Present
✓	Director Stock Ownership Guidelines
✓	Code of Business Conduct and Ethics for Directors, Officers and Employees
✓	Director Self-Evaluation Program

* All board of directors' data excludes Gail Deegan and Andrea Geisser, who will retire following the 2017 annual meeting.

** The Company is seeking stockholder approval at the 2017 annual meeting to declassify its board of directors.

*** The Company is seeking stockholder approval at the 2017 annual meeting to eliminate supermajority voting requirements in its governing documents relating to removal of directors and amendments to the Company's certificate of incorporation and bylaws.

iROBOT CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held on May 23, 2017

To the Stockholders of iRobot Corporation:

The annual meeting of stockholders of iRobot Corporation, a Delaware corporation (the “Company”), will be held on Tuesday, May 23, 2017, at 8:30 a.m., local time, at the Company’s headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730, for the following purposes:

1. To elect three (3) Class III 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;
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 amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements;
4. To approve amendments to our amended and restated certificate of incorporation to declassify the board of directors;
5. To approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting;
6. To approve the 2017 Employee Stock Purchase Plan;
7. To hold an advisory vote on the approval of the compensation of our named executive officers;
8. To hold an advisory vote on the frequency of future advisory votes on the compensation of our named executive officers; and
9. 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 III directors nominated by the board of directors and does not include any other matters relating to the election of directors. Only stockholders of record at the close of business on April 4, 2017 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. In accordance with our security procedures, all persons attending the annual meeting will be required to present a form of government-issued picture identification. If you hold your shares in “street name”, you must also provide proof of ownership (such as a recent brokerage statement). If you are a holder of record and attend the annual meeting, you may vote by ballot in person even if you have previously returned your proxy card. If you hold your shares in “street name” and wish to vote in person, you must provide a “legal proxy” from your bank or broker. 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>.



Please note that, even if you plan to attend the annual meeting, we recommend that you vote using the enclosed proxy card TODAY, to ensure that your shares will be represented.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Glen Weinstein", is positioned above a horizontal line.

GLEN D. WEINSTEIN
Executive Vice President,
Chief Legal Officer and Secretary
Bedford, Massachusetts
April 17, 2017

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE, OVER THE INTERNET OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES.

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iROBOT CORPORATION
PROXY STATEMENT
For the Annual Meeting of Stockholders
To Be Held on May 23, 2017

April 17, 2017

This proxy statement and proxy card are 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 Tuesday, May 23, 2017, at 8:30 a.m., local time, at the Company’s 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 31, 2016, is being mailed together with this proxy statement to all stockholders entitled to vote at the annual meeting. This proxy statement and the accompanying proxy card are expected to be first mailed to stockholders on or about April 17, 2017.

The purposes of the annual meeting are to elect three (3) Class III directors, each for a three-year term, to ratify the appointment of the Company’s independent registered public accountants, to approve amendments to our amended and restated certificate of incorporation to eliminate supermajority voting requirements, to approve amendments to our amended and restated certificate of incorporation to declassify the board of directors, and to approve amendments to our amended and restated certificate of incorporation to eliminate the prohibition on stockholders’ ability to call a special meeting (such amendments, together, the “Certificate Amendments”), to approve the 2017 Employee Stock Purchase Plan (the “ESPP”), to hold an advisory vote on the compensation of our named executive officers and to hold an advisory vote on the frequency of future advisory votes on the compensation of our named executive officers. Only stockholders of record at the close of business on April 4, 2017 will be entitled to receive notice of and to vote at the annual meeting. As of March 31, 2017, 27,409,706 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 a written notice of revocation bearing a later date than the proxy with the Secretary of the Company, (ii) duly completing a later-dated proxy relating to the same shares, 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 broker “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. If you hold your shares in “street-name” through a broker or other nominee, absent voting instructions from you, your shares will not be counted as voting and will have no effect on those proposals, other than Proposal 2 requiring approval by a majority of the votes cast, and will have the same effect as if you voted against Proposals 3, 4 and 5. On the other hand, Proposal 2 to ratify the appointment of our independent registered public accountants is a “routine” matter for which your broker does not need your voting instruction in order to vote your shares.

For Proposal 1, our by-laws require that each director be elected by 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. 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 III directors.

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 6, approval of the ESPP, and Proposal 7, the advisory vote on the compensation of our named executive officers, an 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 each such matter is required for approval. Abstentions and broker non-votes are not considered votes cast for either Proposal and, therefore, will not have any effect on the outcome of such Proposal.

For Proposals 3, 4 and 5, votes on the Certificate Amendments, an affirmative vote of not less than 75% of the outstanding shares entitled to vote as of the record date is required for approval of each such Proposal. Abstentions and broker non-votes will have the same effect as if you voted against Proposals 3, 4 and 5.

For Proposal 8, the advisory vote on the frequency of future advisory votes on the compensation of our named executive officers, you may vote "1 Year", "2 Years", "3 Years", or abstain from voting on this proposal. Assuming a quorum is present, the option that receives the most votes to be the option selected by the stockholders. Abstentions and broker non-votes, if any, will have no effect on the outcome of this matter.

All properly executed proxies returned in time to be counted at the annual meeting will be voted by the named proxies 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 you return a validly executed proxy card without indicating how your shares should be voted on a matter, your proxies will be voted FOR election of the director nominees, FOR ratification of the appointment of our independent registered public accountants, FOR each of the Certificate Amendments, FOR approval of the ESPP, FOR the approval on an advisory basis, of the compensation of our named executive officers, and for every 1 YEAR on the advisory proposal on the frequency of future advisory votes on the compensation of our named executive officers.

Aside from the election of directors, the ratification of the appointment of the independent registered public accountants, the approval of the Certificate Amendments, the approval of the ESPP, the advisory vote on the compensation of our named executive officers, and the advisory vote on the frequency of future advisory votes on the compensation of our named executive officers, 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 proxy cards received by the board of directors will be voted with respect thereto at the discretion of the persons named as proxies.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 23, 2017. THE PROXY STATEMENT AND ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT <https://materials.proxyvote.com/462726>.

PROPOSAL 1
ELECTION OF DIRECTORS

Nominees

Our board of directors currently consists of ten members. Our amended and restated certificate of incorporation currently 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 Andrew Miller, Elisha Finney and Michelle V. Stacy, and recommended that each be elected to the board of directors as a Class III director, each to hold office until the annual meeting of stockholders to be held in the year 2020 or until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal. Mr. Miller, Ms. Finney and Ms. Stacy are currently Class III directors whose terms are set to expire at this annual meeting. Each of Mr. Miller, Ms. Finney and Ms. Stacy has consented to being named in this proxy statement and has agreed to serve if elected. The board of directors is also composed of (i) three Class I directors (Colin M. Angle, Ronald Chwang, Ph.D., and Deborah G. Ellinger) whose terms are currently set to expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2018, (ii) two Class II directors (Mohamad Ali and Michael Bell) whose terms are currently set to expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2019, and (iii) Gail Deegan and Andrea Geisser, currently Class III directors, who have informed us that they will retire following the end of their terms at the 2017 annual meeting. If Proposal 4 is approved by the stockholders, each of Mr. Miller, Ms. Finney and Ms. Stacy, along with all other directors, will stand for election at the 2018 annual meeting.

The board of directors knows of no reason why any of the nominees named in this proxy statement would be unable or for good cause will not serve, but if any nominee should for any reason be unable to serve or for good cause will not serve, the board of directors reserves the right to nominate substitute nominees for election prior to the annual meeting, in which case the Company will file an amendment to this proxy statement disclosing the identity of such substitute nominees and related information and the proxies will be voted for such substitute nominees. 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” ELECTION OF THE NOMINEES LISTED BELOW.**

The following table sets forth our nominees to be elected at the annual meeting and continuing directors, the positions with us currently held by each nominee and director, the year each nominee’s or director’s current term is currently set to expire and each nominee’s and director’s current class:

Nominee’s or Director’s Name	Position(s) with the Company	Year Current Term Will Expire	Current Class of Director
Nominees for Class III Directors:			
Andrew Miller(1)	Director	2017	III
Elisha Finney(2)	Director	2017	III
Michelle V. Stacy	Director	2017	III
Continuing Directors:			
Colin M. Angle	Chairman of the Board, Chief Executive Officer and Director	2018	I
Ronald Chwang, Ph.D.	Director	2018	I
Deborah G. Ellinger	Lead Independent Director	2018	I
Mohamad Ali	Director	2019	II
Michael Bell	Director	2019	II

- (1) Mr. Miller was appointed by the board of directors as a Class III director in September 2016.
 (2) Ms. Finney was appointed by the board of directors as a Class III director in January 2017.

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(4)	49	Chairman of the Board, Chief Executive Officer and Director
Deborah G. Ellinger(3)	58	Lead Independent Director
Mohamad Ali(1)(4)	46	Director
Michael Bell(1)(2)	50	Director
Ronald Chwang, Ph.D.(3)(4)	69	Director
Gail Deegan(2)(3)(5)	70	Director
Andrea Geisser(1)(2)(5)	74	Director
Andrew Miller(2)(3)	56	Director
Elisha Finney(2)	55	Director
Michelle V. Stacy(1)(4)	62	Director
Alison Dean	52	Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer
Christian Cerda	47	Chief Operating Officer
Russell J. Campanello	61	Executive Vice President, Human Resources and Corporate Communications
Glen D. Weinstein	46	Executive Vice President, Chief Legal Officer

(1) Member of compensation and talent committee

(2) Member of audit committee

(3) Member of nominating and corporate governance committee

(4) Member of strategy and finance committee

(5) Ms. Deegan and Mr. Geisser will be retiring from the board of directors and all committees thereof and are therefore not standing for re-election at this annual meeting

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. He has served as a director since October 1992. As a co-founder and chief executive officer, Mr. Angle provides a critical contribution to the board of directors with his detailed knowledge of the Company, our employees, our client base, our prospects, the strategic marketplace and our competitors. Mr. Angle previously 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. He holds a B.S. in Electrical Engineering and an M.S. in Computer Science, both from MIT.

Deborah G. Ellinger has served as a director since November 2011. She is the president and CEO of Ideal Image, a U.S. chain of health centers providing minimally invasive cosmetic procedures. She brings extensive experience in international retail and consumer products, having served as the chief executive officer of The Princeton Review, a company which assists students in test preparation, from 2012 to 2014, president of Restoration Hardware, a luxury home furnishings retailer, from 2008 to 2009, and chief executive officer of Wellness Pet Food, a natural pet-food company, from 2004 to 2008. Ms. Ellinger led each of those companies while they were owned by private equity firms, and successfully grew each business before transitioning it to new ownership, yielding three to seven times return on capital to investors. 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; she began her career with Mellon Financial Corporation. She also serves on the board of Interpublic Group and The Commonwealth Institute, a nonprofit, and is a former director of The Princeton Review, Sealy Corporation, National Life Group, and several private companies. Her assignments have taken her all over the world; she has lived and worked in Europe, Asia and America. Ms. Ellinger is qualified as a

Barrister-at-Law in London, as a member of the Inner Temple. She holds an M.A. and B.A. in Law and Mathematics from the University of Cambridge, England.

Mohamad Ali has served as a director since August 2015 and brings extensive experience with capital allocation in technology companies, as well as strategic software development, including cloud infrastructure and data analytics. He has served as the president, chief executive officer and director of Carbonite, Inc. from 2014 to present. Mr. Ali has successfully led Carbonite's continued growth, serving the ever-evolving technology needs of small and mid-size businesses and consumers. Boston-based Carbonite provides cloud and hybrid backup and recovery solutions for home and business. Previously, Mr. Ali served as chief strategy officer at Hewlett-Packard, a manufacturer of computers and enterprise products, from 2012 to 2014 and president of Avaya Global Services, an enterprise communications company. He also served in senior leadership roles at IBM Corporation, a multinational technology and consulting company, where he acquired numerous companies to build IBM's analytics and big data business. In addition to serving on the board of directors of Carbonite, Mr. Ali is also a director of Oxfam America and Massachusetts Technology Leadership Council and previously served on the Board of Directors of City National Corporation and City National Bank. He was named to Boston Business Journal's 2008 "40 Under 40" list, and recognized by Massachusetts High Tech magazine as a 2011 All-Star. Mr. Ali holds a B.S. and an M.S. in Electrical Engineering, both from Stanford University.

Michael Bell has served as a director since March 2016 and brings significant expertise in the Internet of Things from his work at Silver Spring Networks, Inc., Intel Corporation, Apple, Inc., and Palm, Inc. He has been the chief executive officer and president of Silver Spring Networks, a leading networking platform and solutions provider for smart energy networks, since September 2015. Previously, from 2010 to 2015 he held various roles at Intel Corporation, a multinational technology corporation specializing in the production of semiconductor chips, including Corporate Vice President New Devices Group, Corporate VP Mobile and Communications Group and Corporate Vice President Ultra Mobility Group. He was head of Product Development at Palm, Inc. from 2007 to 2010. He worked at Apple, Inc. from 1991 to 2007 and played significant roles in development of Apple iPhone and Apple TV products, serving as Vice President, CPU Software from 2002 to 2007. Mr. Bell is a director of Silver Spring Networks, Inc. He holds a B.S. in Mechanical Engineering from the University of Pennsylvania.

Ronald Chwang, Ph.D., has served as a director since November 1998 and brings extensive experience in technology, manufacturing, supply chain, business development and Asian operations. Since January 2005, he has been the chairman and president of iD Ventures America, LLC (formerly known as Acer Technology Ventures, LLC) part of the iD SoftCapital Group, a venture investment and management consulting service group. He was the chief executive officer of Acer America from 1992 until 1997, growing it to over \$1 Billion in revenues, and then became chairman and president of Acer Technology Ventures until 2004, managing high-tech venture investment activities in North America. Previously, he was president of two Acer business groups in Taiwan, from 1986 to 1991. 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.

Gail Deegan has served as a director since May 2011 and brings extensive experience as a former chief financial officer of three public companies and director of five public companies, in addition to iRobot; she has served as Audit Committee Chair for three boards of directors. From 1996 until her retirement in 2001, Ms. Deegan served as executive vice president and chief financial officer of Houghton Mifflin, a publishing company. She was previously senior vice president of regulatory and government affairs for NYNEX New England, and vice president and chief financial officer of New England Telephone. Earlier in her career she was senior vice president, chief financial officer and treasurer of Eastern Enterprises, as well as chief administrative officer of that company. Ms. Deegan is a former director of EMC Corporation, TJX Companies, Inc., and three other public companies. She brings deep experience with financial accounting matters for complex organizations, capital allocation, business transformation, and oversight of corporate governance requirements and financial

reporting processes. 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 will be retiring from the board of directors and is not standing for re-election at this annual meeting.

Andrea Geisser has served as a director since March 2004 and brings substantial expertise in financial management and company oversight as a private equity director. He is currently a senior advisor to Zephyr Management Inc., a global private equity firm that specializes in emerging markets, a role in which he has served since 2006, and a member of the investment committee of some of the funds managed by Zephyr Management. From 1995 to 2005, Mr. Geisser was a founder and managing director of Fenway Partners LLC, a middle market private equity firm. Prior to founding Fenway Partners, he was a managing director of Butler Capital Corporation. Prior to that, Mr. Geisser was a managing director of Onex Investment Corporation, a Canadian management buyout company, and was a senior officer of Exor America from 1974 to 1986. Mr. Geisser has been a board member and audit committee member of several private companies, and was the chair of the iRobot audit committee for several years. He holds a B.A. from Bocconi University in Milan, Italy and a P.M.D. from Harvard Business School. Mr. Geisser will be retiring from the board of directors and is not standing for re-election at this annual meeting.

Andrew Miller has served as a director since September 2016 and brings critical financial leadership as well as software, cloud infrastructure and Internet of Things (IoT) experience to iRobot as the company continues to grow its consumer business globally and focus on the connected home. Mr. Miller has served as executive vice president and chief financial officer of PTC, a provider of software technology platforms and solutions, since early 2015. At PTC, he is responsible for global finance, tax and treasury, investor relations, information technology, pricing, corporate real estate, and customer administration. From 2008 to 2015, Mr. Miller served as chief financial officer of Cepheid, a high-growth molecular diagnostics company. While at Cepheid, he built world-class finance and information technology teams and a nationally recognized investor relations program. Mr. Miller has also served in financial leadership roles at Autodesk, MarketFirst Software, Cadence Design Systems, and Silicon Graphics. He is a former director of United Online. Mr. Miller holds a B.S. in Commerce with an emphasis in Accounting from Santa Clara University and was a CPA.

Elisha Finney has served as a director since January 2017. Ms. Finney brings more than 25 years of financial and technology-related expertise to iRobot as the company focuses on expanding internationally, scaling its connected product line and maximizing value for its shareholders. Ms. Finney serves as executive vice president and CFO of Varian Medical Systems, a leading developer of radiation oncology treatments and software, where she has served in various management roles since 1999. Her management responsibilities at Varian Medical Systems include corporate accounting; corporate communications and investor relations; internal financial and compliance audit; risk management; tax and treasury, and information technology. She also serves on the board of directors at ICU Medical and previously served as a board member at Altera Corporation, Thoratec and Laserscope. She holds a B.A. in Risk Management and Insurance from the University of Georgia and an M.B.A. in Finance from Golden Gate University where she received the 1992 “Outstanding Graduate of the Masters Programs in Finance” Award. Ms. Finney was the 2015 UGA Terry College of Business Distinguished Alumni of the Year and the recipient of Silicon Valley Business Journal’s 2013 “Women of Influence” Award.

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/Procter & Gamble Co., 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, Inc., from 2008 to 2013, the company’s revenue grew from \$493 million in 2008 to \$4.3 billion for 2013. Ms. Stacy is a director of Coravin, Inc., Flex Pharma, Inc., Young Innovations Inc. and the French Cultural Center, a nonprofit. She is a professional speaker on leadership, innovation and growth. She holds a B.S. from Dartmouth College and an M.S. in Management from J.L. Kellogg Graduate School of Management - Northwestern University, and is bilingual in French and English.

Executive Officers

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.

Christian Cerda has served as our chief operating officer since May 2016. Mr. Cerda previously served as executive vice president of our Home Robot Business Unit from February 2015 until May 2016, and its senior vice president and general manager since May 2013. He has direct responsibility over global sales, marketing and product management and leads Global Commercial and Supply Chain Operations, overseeing manufacturing and supply chain. Prior to iRobot, he was general manager and vice president of Sales and Marketing from April 2010 to March 2013 at Whirlpool Corporation, a multinational manufacturer of home appliances, where he was responsible for sales, marketing, brand communications, product development and operations. Previously, he served in senior positions at The Boston Consulting Group and Procter & Gamble Co. Mr. Cerda holds a B.S. 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.

Russell J. 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, Inc. 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 holds a B.S. in Business Administration from the University of Massachusetts.

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.

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, our by-laws provide that the independent members of our board of directors will designate a lead independent director if the chairman of the board is not an 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, Finney and Stacy, and Messrs. Ali, Bell, Geisser and Miller are independent within the meaning of the director independence standards of The NASDAQ Stock Market, Inc. ("NASDAQ") and the SEC. 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 SEC, save Mr. Angle who serves on the strategy and finance committee and is our chief executive officer.

Executive Sessions of Independent Directors

Executive sessions of the independent directors are held during 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. Ms. Ellinger currently serves as the lead independent director. In this role, Ms. Ellinger serves as chairperson of the independent director sessions. The independent directors of the board of directors met in executive session four (4) times in 2016.

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 critical issues;
- acting as a spokesperson for the independent directors able to talk with major investors and stockholders on topics of overall governance;
- evaluating, along with the members of the compensation and talent 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.

In addition, the lead independent director works to ensure that "all voices are heard" within the boardroom and proactively spends considerable time with the chief executive officer, and other executive officers, to understand the Company's vision and strategy and works to focus the board of directors on areas aligned with the Company's vision and strategy.

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 and talent 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. The strategy and finance committee oversees currency risk management policies and risk related to other treasury and tax 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 their respective fields, 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 board 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 delegates the initial 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. Once appropriate candidates have been identified, the entire board of directors votes on the candidates, as the selection of board nominees is a responsibility of the entire 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 earlier than the close of business on the 120th 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;
- A representation that the stockholder is a record holder of the Company's securities, or if the stockholder is not a record holder, evidence of ownership;
- 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;
- A description of the qualifications and background of the proposed director nominee which addresses the minimum qualifications, actual or potential conflicts of interest, and other criteria for board membership approved by the board of directors from time to time and set forth in the Company's Policy Governing Director Qualifications and Nominations;
- A description of all arrangements or understandings between the stockholder and the proposed director nominee;
- The consent of the proposed director nominee (i) to be named in the proxy statement for the annual meeting and (ii) to serve as a director if elected at such annual meeting; and
- Any other information regarding the proposed director nominee that is required to be included in the proxy statement.

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.

In addition, our by-laws permit eligible stockholders, or groups of stockholders, owning continuously for at least three years shares of the Company's stock representing an aggregate of at least 3% of the Company's outstanding shares, to nominate and include in the Company's proxy materials director nominees constituting up to two or 25%, whichever is greater, of the board of directors, provided that the stockholders and nominees satisfy the requirements in our by-laws. Written notice of stockholder nominees to the board of directors must be received not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary the proceeding year's annual meeting. For details on the Company's proxy access procedures, please refer to our by-laws.

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. 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 board members who were directors at the time of the annual meeting of stockholders held in 2016, 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 SEC.

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 fifteen (15) times during the fiscal year ended December 31, 2016, and took action by unanimous written consent five (5) 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 2016. The board of directors has the following standing committees: audit committee; compensation and talent committee; nominating and corporate governance committee; and strategy and finance 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 Ms. Deegan and Messrs. Bell, Geisser, and Miller, each of whom is an independent director within the meaning of the director independence standards of NASDAQ and the SEC, including Rule 10A-3(b)(1) under the Exchange Act, as amended, or the Exchange Act. In May 2016, Michael Bell replaced Michelle Stacy on the audit committee. In February 2017 Ms. Finney was also appointed to serve on the audit committee. In addition, the board of directors has determined that each of Ms. Deegan and Finney and Messrs. Bell, Geisser and Miller are financially literate and that Ms. Deegan and Finney and Messrs. Bell, Geisser and Miller each qualifies as an “audit committee financial expert” under the rules of the SEC. Ms. Deegan serves as the chairman of the audit committee.

The audit committee met seven (7) times during the fiscal year ended December 31, 2016. 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 (including certain tax compliance, planning and advice 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 assessments 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;
- reviewing certain relationships and related transactions; 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 and Talent Committee

The compensation and talent committee of the board of directors currently consists of Messrs. Geisser, Bell and Ali, and Ms. Stacy, 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”). In May 2016, Michael Bell replaced Ronald Chwang on the compensation and talent committee. Mr. Geisser serves as the chairman of the compensation and talent committee. The compensation and talent 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;
- reviewing and making recommendations to the board of directors with respect to director compensation;
- reviewing and making recommendations to the board of directors with respect to succession planning for senior management;
- retaining and approving the compensation of any compensation advisers; and
- evaluating the independence of any such compensation advisers.

The compensation and talent committee met six (6) times and took action by unanimous written consent seven (7) times during the fiscal year ended December 31, 2016. The compensation and talent 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 Mses. Ellinger and Deegan, Mr. Miller, and Dr. Chwang, each of whom is an independent director within the meaning of the director independence standards of NASDAQ and applicable rules of the SEC. George McNamee served as a member of the nominating and corporate governance committee through May 2016. Ms. Ellinger 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 sixteen (16) times during the fiscal year ended December 31, 2016. 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>.

Strategy and Finance Committee

In July 2015, the board of directors formed an *ad hoc* strategy and finance committee, and in March 2016, the *ad hoc* strategy and finance committee was replaced with a formal strategy and finance committee. Messrs. Ali and Angle, Dr. Chwang and Ms. Stacy currently serve as members of the strategy and finance committee. Mr. Ali serves as the chairman of the strategy and finance committee. The responsibilities of the strategy and finance committee include:

- reviewing periodically with management the Company's strategic objectives and their translation into stockholder value creation;
- reviewing with management on a regular basis contemplated transactional opportunities that support the Company's strategic business objectives;
- reviewing with and, when appropriate, making recommendations to the board of directors regarding the Company's capital allocation objectives, strategies and plans;
- reviewing the Company's capital allocation process annually and significant capital programs periodically.
- reviewing and making recommendations to the board of directors regarding the Company's authorization to repurchase its common stock, approving any actions taken under each such plan, and monitoring actual repurchases under the repurchase authorization;
- reviewing and discussing with management the Company's annual and long-term business and financial plans, including the financial impacts of these plans; and as part of its review of the Company's annual and long-term business and financial plans, reporting to the board of directors concerning its review of such plans and the financial and business assumptions underlying the Company's financial projections and budgets; and
- reviewing the Company's annual operating plan, and reviewing with management the significant projects, research and development programs or other investments.

The strategy and finance committee met four (4) times during the fiscal year ended December 31, 2016. The strategy and finance 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 and Talent Committee Interlocks and Insider Participation

During 2016, Dr. Chwang, Ms. Stacy and Messrs. Geisser, Ali and Bell served as members of the compensation and talent committee. No member of the compensation and talent 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 and talent 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 and talent committee; (ii) a director of another entity, one of whose executive officers served on our compensation and talent committee; or (iii) a member of the compensation and talent 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 (the “Securities Act”), or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), 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 Gail Deegan, Michael Bell, Elisha Finney, Andrea Geisser, and Andrew Miller. 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 SEC, 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 meetings of the audit committee are designed to facilitate and encourage communication among the audit committee, Company management, the independent registered public accounting firm and the Company’s internal audit function. 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 31, 2016, 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 ensures that the Company establishes and appropriately resources a professional internal auditing function and that there are no unjustified restrictions or limitations imposed on that function. In addition to reviewing and approving the annual internal audit plan and overseeing other internal audit activities, the audit committee regularly reviews and discusses the results of internal audit reports.

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 Auditing Standard No. 1301, 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 SEC and other applicable regulations. The audit committee has reviewed permitted services under rules of the SEC 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. For each engagement, Company management provided the audit committee with information about the services and fees, sufficiently detailed to allow the audit committee to make an informed judgment about the nature and scope of the services and the potential for the services to impair the independence of the independent registered public accounting firm. After the end of each fiscal year, Company management provides the audit committee with a summary of actual fees incurred with the independent registered public accounting firm.

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 2016, on an absolute basis and as compared to the scope of prior year audits. Information about PricewaterhouseCoopers LLP's fees for 2016 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 2017 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 31, 2016, which was filed with the SEC on February 17, 2017.

Respectfully submitted by the Audit Committee,

Gail Deegan (chairman)
Elisha Finney
Andrea Geisser
Michael Bell
Andrew Miller

REPORT OF THE COMPENSATION AND TALENT COMMITTEE OF THE BOARD OF DIRECTORS

No portion of this compensation and talent committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), 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 and talent 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 and equity incentive plans. The compensation and talent 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 and talent 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 and talent committee assesses the information it receives in accordance with its business judgment. The compensation and talent committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation and talent committee. All decisions regarding chief executive officer and director compensation are reviewed and ratified by the full board. Messrs. Geisser, Ali and Bell and Ms. Stacy, and are the current members of the compensation and talent committee.

The compensation and talent committee has reviewed and discussed the Compensation Discussion and Analysis (the “CD&A”) for the year ended December 31, 2016 with management. In reliance on the reviews and discussions referred to above, the compensation and talent committee recommended to the board of directors, and the board of directors has approved, that the CD&A be included in this proxy statement and incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 17, 2017.

Respectfully submitted by the Compensation and Talent Committee,

Andrea Geisser (chairman)
Mohamad Ali
Michael Bell
Michelle Stacy

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 our 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 and talent 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 through specific financial and strategic objectives. Our compensation and talent committee annually reviews and approves elements of executive compensation, including CEO and executive officer base salaries, cash incentives and equity awards.

Our performance as a company in 2016 was very strong. Full year revenue of \$660.6 million represented an increase of 8% from full year revenue in 2015, and earnings per share of \$1.48 in 2016 increased over earnings per share in 2015, despite our divestment of the defense and security business unit. Consumer revenue grew 17% for the full year over 2015, due primarily to significant growth in the United States market driven by further investment in ad media and national promotions.

Our compensation and talent committee, in conjunction with management, evaluate our overall executive compensation program each year. As a result of this ongoing review, we made a number of changes in our long-term incentive plan beginning in 2017. We believe our compensation philosophies and objectives, as described below, have aligned executive compensation with Company performance.

Objectives of Our Compensation Program

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 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 Adjusted EBITDA, operating income as a percentage of revenue and revenue in dollars. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, merger, acquisition and divestiture expenses, net intellectual property litigation expense, restructuring expense and non-cash stock compensation as shown in Exhibit A of this proxy.

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.

Methodologies for Establishing Executive Compensation

The compensation and talent 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 and talent committee meets with only itself and the executive vice president, human resources and corporate communications. With respect to the compensation levels of all other named executive officers, the compensation and talent 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 and talent committee.

The compensation and talent committee has engaged Pearl Meyer & Partners, LLC (“Pearl Meyer”), as an independent compensation consultant to work with them in addition to our human resources department and the chief executive officer to assist them in developing the compensation program and recommendations regarding base salary levels, target incentive awards, 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 and talent committee carefully considers the recommendations of the chief executive officer with respect to the other executive officers 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 and talent committee similarly determines the size and structure of equity incentive awards, if any, for each named executive officer.

Moreover, the compensation and talent committee considers the results of the advisory vote on named executive officer compensation, or the “say on pay” vote, that is currently completed each year at our annual meeting of stockholders.

At the May 2016 annual meeting of stockholders, the Company held its annual say on pay vote. The results of the say on pay vote held in May 2016 were as follows:

For	16,742,325	82.51%
Against	3,166,064	15.60%
Abstain	383,384	1.89%

The results of the say on pay vote are advisory and not binding on the Company, the board of directors or the compensation and talent committee. However, the board of directors and the compensation and talent committee value the opinions of our stockholders and take the results of the say on pay vote into account when making decisions regarding the compensation of our named executive officers. During the 2016 proxy season, which included a contested election of directors, we met directly with many of our largest stockholders and listened to their feedback related to our executive compensation programs. That input was directly taken into consideration by the compensation and talent committee as it structured our 2017 executive compensation programs, including, for 2017, the shift away from the use of stock options and toward awarding a greater percentage of equity awards in the form of performance share units (“PSUs”) with vesting that is contingent upon the attainment of long-term corporate objectives over a three-year period.

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 and talent committee will, in consultation with Pearl Meyer, 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. Additionally, the compensation and talent 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. Beginning with fiscal year 2017, we have removed defense oriented companies from our compensation survey data as a result of our divestment of our defense and security business unit.

Compensation Consultant

As the independent compensation consultant, Pearl Meyer provides the compensation and talent committee with advice on a broad range of executive compensation matters. The scope of its services includes the following:

- Apprising the compensation and talent committee of compensation-related trends and developments in the marketplace;
- Informing the compensation and talent committee of regulatory developments relating to executive compensation practices;
- Assessing the composition of the peer companies used for comparative purposes;
- Identifying potential changes to the executive compensation program to maintain competitiveness and ensure consistency with business strategies, good governance practices and alignment with stockholder interests; and
- Reviewing the Compensation Discussion & Analysis section of the Company's proxy statement.

The compensation and talent committee has assessed the independence of Pearl Meyer pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Pearl Meyer from independently advising the compensation and talent committee. The Company did not engage Pearl Meyer for any other consulting work in fiscal 2016.

Compensation Comparisons

Developing a peer group for compensation comparison purposes is not an easy task for the Company. We do not have any "true" robotic comparator companies that are publicly-traded, stand-alone, U.S.-based and size-appropriate. We believe our mix of technology, smart technology/connected devices, 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 some proxy advisory firms. These organizations tend to compare us to companies 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, smart technology/connected devices and technology/consumer products companies perform and pay differently from home builders, retailers and furniture distributors/manufacturers. Additionally, recruitment efforts at companies focused on technology, smart technology/connected devices and technology/consumer products are largely focused on robotics/technology experts/industry leaders and individuals with engineering backgrounds. The compensation and talent committee takes all of these unique dynamics into account annually when reviewing our peer group firms and compensation practices.

The following selection criteria, developed in conjunction with the compensation and talent 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 program and in helping to develop fiscal 2016 compensation actions:

- Companies with revenues within a similar range and generally similar market capitalization;
- Companies within comparable industries that focus on smart-tech and high-tech products (e.g., consumer durables, consumer services, aerospace, capital goods, electronics equipment, information technology, instruments and components, computers and peripherals, networking equipment and computer hardware);
- Companies with highly-engineered products and complex networked technologies with multiple industry applications;
- Technology companies whose products contain both hardware and software components, in particular cloud-connected devices, smart monitors, networked devices and consumer wearables; 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 low to moderate margins and moderate levels of research and development expense that indicate similar business models and financial strategy.

Our peer group for 2016 consisted of the following 15 companies:

3D Systems Corporation	Nautilus Inc.
AeroVironment, Inc.	Netgear, Inc.
Fitbit Inc.	Plantronics, Inc.
Garmin Ltd.	Skullcandy, Inc.
GoPro, Inc.	Tivo, Inc.
InvenSense, Inc.	Trimble Navigation Limited
Logitech International S.A.	Universal Electronics, Inc.
Mercury Systems, Inc.	

These 15 companies, at the time of the analysis, had median annual revenues of \$686 million and a median market capitalization of \$941 million.

The compensation and talent committee reviews all components of compensation for named executive officers. In accordance with its charter, the compensation and talent committee also, among other responsibilities, administers our incentive compensation plan, and reviews management’s recommendations on company-wide compensation programs and practices. In setting compensation levels for our executive officers in fiscal 2016, the compensation and talent 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;
- the evaluations and recommendations of the chief executive officer by the board, and evaluations and recommendations of the other named executive officers by 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 and talent 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 and talent 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 2016 consisted of three primary elements: base salary, an annual cash incentives, and long-term equity awards, primarily in the form of time-based restricted stock units, PSUs and stock options. 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 2016, the compensation and talent committee believes our executive officers, including our chief executive officer, were 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 and talent committee in the technology, smart technology and robotics industries. We generally aim to set base salaries for each of our executives above the mid-market in the relevant industries 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 reviewed on an annual basis.

The compensation and talent 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, our chief executive officer provided a detailed evaluation and recommendation related to base salary adjustments, if any (excluding for himself).

We believe that the base salaries of our named executive officers, which range from 14% to 29% as a percentage of total compensation, are set at an appropriate level to align our incentive compensation mix with our compensation philosophy.

In February 2017, and as part of the annual review process while taking into account the considerations discussed above, the compensation and talent committee also reviewed the base salaries of our named executive officers for 2017 and as noted in the table below, determined not to make any adjustments to our named executive officers' base salaries other than for Mr. Cerda, who was promoted to chief operating officer during 2016 and took on additional responsibilities.

	2015 Base Salary	% Increase	2016 Base Salary	% Increase	2017 Base Salary
Colin M. Angle	\$675,000	3.7%	\$700,000	—	\$700,000
Alison Dean	\$430,000	7.0%	\$460,000	—	\$460,000
Christian Cerda	\$400,000	5.0%	\$425,000(1)	5.9%	\$450,000
Russell J. Campanello	\$340,000	2.9%	\$350,000	—	\$350,000
Glen D. Weinstein	\$365,000	4.1%	\$380,000	—	\$380,000

- (1) Mr. Cerda's base salary was increased from \$400,000 to \$420,000 as part of the annual review process in 2016 and also received a subsequent increase to \$425,000 effective June 1, 2016 coincident with his promotion to chief operating officer.

Cash Incentive Compensation

The compensation and talent committee believes that short-term cash incentive 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 payment of cash incentive awards is based on an evaluation of achievement against predetermined Company financial and operational metrics in accordance with our Senior Executive Incentive Compensation Plan that was adopted by the compensation and talent committee. For each named executive officer, 100% of his or her target cash incentive compensation in 2016 was tied to key Company financial and operating performance measures. Cash incentive opportunities for named executive officers are generally targeted above the mid-market for performance at target and are scaled appropriately below and above target based on actual performance achievement similar to cash incentives provided to officers in our peer group of companies reviewed by the compensation and talent committee in the technology and robotics industries. The actual amount of the cash incentives paid to the named executive officers, however, is subject to the assessment of the compensation and talent committee of our performance in general and the achievement of specific established goals.

For fiscal 2016, the threshold, target and maximum bonus award opportunities 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 set forth in the table below. These target bonus amounts were set at levels the compensation and talent committee determined were appropriate to achieve our business plan, which involved growing the Company in a profitable, cost-effective way.

	Incentive Bonus Award Opportunity Payout Scale (% of base salary)		
	Threshold (12.5% of target opportunity) (1)	Target (100%)	Maximum (200% of target opportunity) (2)
	Colin M. Angle	12.50%	100.00%
Alison Dean	9.38%	75.00%	150.00%
Christian Cerda	9.38%	75.00%(3)	150.00%
Russell J. Campanello	7.50%	60.00%	120.00%
Glen D. Weinstein	7.50%	60.00%	120.00%

- (1) Cash incentive payments are made only after the Company has achieved a specified Adjusted EBITDA hurdle, excluding cash incentive compensation expense.
- (2) This reflects the maximum incentive cash payout levels established under our Senior Executive Incentive Compensation Plan for 2016 based on the specific goals established for fiscal 2016.

- (3) Effective June 1, 2016, Mr. Cerda's Incentive Bonus Award Opportunity Payout Scale Target as a percent of his base salary was increased from 60% to 75%, coincident with his base salary increase from \$420,000 to \$425,000 in connection with his promotion to chief operating officer.

The compensation and talent 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 and talent 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 \$81.0 million (the threshold for Adjusted EBITDA shown in the table below).

The following tables summarize the 2016 performance measures, associated weightings and goals for each of the named executive officers under the Senior Executive Incentive Compensation Plan, including actual performance achievement. As discussed previously, the payout opportunity ranges from 12.5% of the target incentive opportunity for achieving threshold level of performance to 200% of the target incentive opportunity for achieving maximum level of performance.

Metric	Weightings	Performance Goal			2016 Actual Performance	Actual Percentage Earned (as % of target)
		Threshold	Target (100%)	Maximum		
\$ in millions						
Adjusted EBITDA, excluding cash incentive compensation expense	50%	\$81.0	\$95.3	\$154.2	\$109.2	72%
Company Revenue	50%	\$575.4	\$639.3	\$767.2	\$660.6	58%
Total Payout (as a % of Target)						130%

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 2016 pursuant to our Senior Executive Incentive Compensation Plan:

	Incentive Bonus Award		
	Original Target Incentive Opportunity	Achievement	ICP Earned & Paid
Colin M. Angle	\$700,000	130%	\$910,000
Alison Dean	\$345,000	130%	\$448,500
Christian Cerda	\$290,935(1)	130%	\$378,216
Russell J. Campanello	\$210,000	130%	\$273,000
Glen D. Weinstein	\$228,000	130%	\$296,400

- (1) Effective June 1, 2016, Mr. Cerda's target bonus as a percent of his base salary was increased from 60% to 75%, coincident with his base salary increase from \$420,000 to \$425,000 in connection with his promotion to chief operating officer. Mr. Cerda's bonus for 2016 was calculated based on the weighted average of his base salary and target incentive bonus opportunity during fiscal 2016.

Long-Term Incentives

Overview

In 2016, executive officers (and other employees) were eligible to receive a mix of time-based restricted stock units, stock option grants and PSUs 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, the pool of available shares and Company performance. In general, our compensation and talent committee bases its decisions to grant long-term incentives on recommendations of our chief executive officer and the compensation and talent 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 and talent committee in the technology and robotics industries.

We have historically used a mix of 50% restricted stock units, 25% PSUs and 25% stock options. The compensation and talent committee believes a mix in our long-term equity awards between stock options, restricted stock units and PSUs 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 the performance of the Company and to an increase in our stock price.

Annual stock option awards are granted twice a year, typically in March and June, and vest equally over four years. Time-based restricted stock units are granted in March and also vest equally over four years. Annual awards are sized relative to Company and individual performance for the prior year. Granting our annual awards using the prior year’s performance to size our awards may result in a disconnect in the size of our awards relative to our performance in the year of grant.

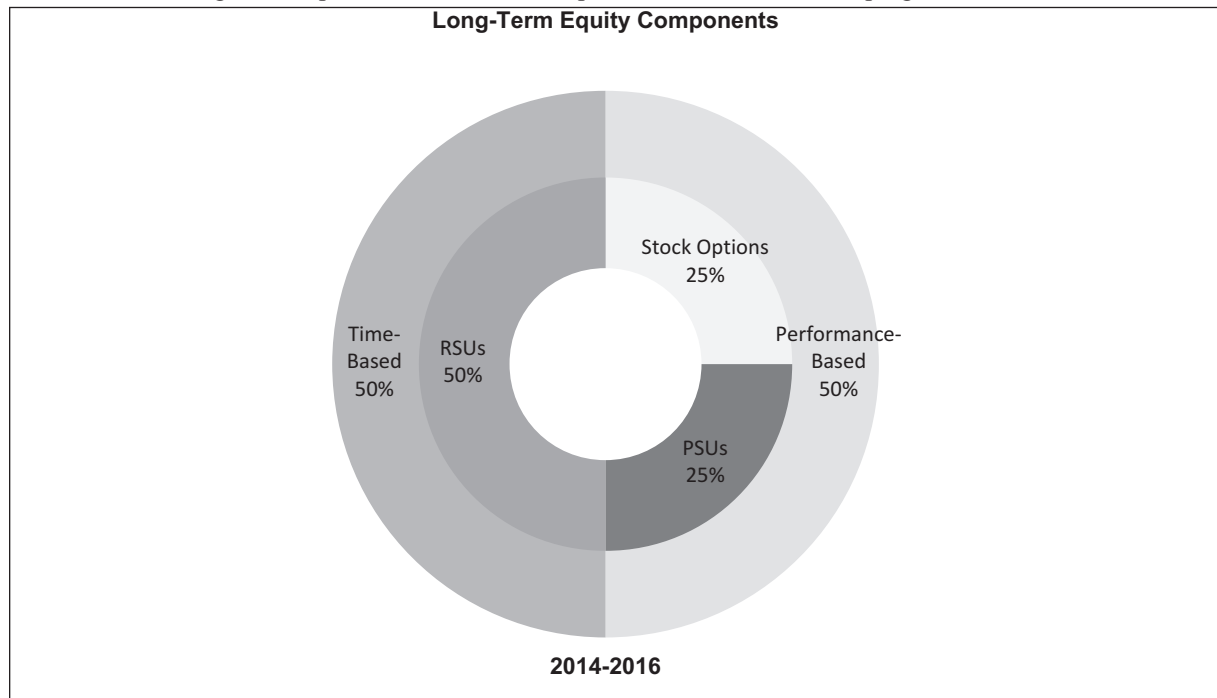
During fiscal 2016, our compensation and talent committee approved the following stock option, time-based restricted stock unit and PSU awards to each of our named executive officers:

	Grant Date Fair Value (\$)	Nonqualified Stock Option Awards (#)	Restricted Stock Units (#)	PSUs (# at Target)
Colin M. Angle	3,279,653	66,963	49,733	24,867
Alison Dean	1,265,156	25,838	19,183	9,592
Christian Cerda	1,528,960	30,738	22,267	11,133
Russell J. Campanello	568,368	11,613	8,617	4,308
Glen D. Weinstein	774,320	15,825	11,750	5,857

Stock Options and Time-Based Restricted Stock Units

Annual stock option awards are granted twice a year, typically in March and June, and vest over four years with 25% of the underlying shares vesting on the first anniversary of the date of grant and the remainder vesting in equal quarterly installments thereafter. Time-based restricted stock units are granted in March and vest over four years in equal annual installments.

The following chart depicts the mix of the components of our annual LTI program since 2014.



Performance Share Units

The Company's and the compensation and talent committee's overall 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.

In 2016, after a thoughtful process and consideration of various metrics, the compensation and talent committee determined that operating income as a percentage of revenue (with a threshold requirement for a minimum amount of revenue) continued to be the optimal initial metric for our PSU 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 as a percentage of revenue is also a regularly reported GAAP financial measure, is understood by our investor base, and can be reasonably forecasted over the relevant performance period. We believe operating income as a percentage of revenue in our long-term incentives coupled with the revenue component of our short-term incentives provides strong focus on, and balance between, important short- and long-term business drivers. Moreover, operating income as a percentage of revenue tends to reflect the performance of our executive team as opposed to macro-economic factors or industry-wide trends beyond the control of our team.

For the PSUs granted in 2014, 2015 and 2016, 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 and revenue goals. In addition, while all vesting of earned PSUs occurs on the third anniversary of the date of grant, achievement of intermediate targets for the three-year period allows 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 annual targets. All financial goals for each of the outstanding three-year PSU plans are established at the beginning of the three-year performance period.

Unvested awards are not eligible to receive any dividends or voting rights until the point at which any shares are earned and vested. Under this plan, participants can only earn awards at 100% of target or at 0% of target (for performance below 100% of target) for each year as there is no scaled award opportunity above target under our long-term incentive plans issued in the years 2014, 2015 and 2016.

The various targets for fiscal year 2016 performance under the 2014, 2015 and 2016 long-term incentive plans were adjusted by the compensation and talent committee in May 10, 2016 to account for the Company's divestment of its defense & security business unit.

The following table outlines the threshold and target three-year performance goals for the PSU plan for the 2014-2016 cycle. No more than 100% of the PSUs granted can be earned.

2014 - 2016 PSU Performance Cycle	Revenue (in millions)		Operating Income Percent		Actual Payout Level Achieved
	Threshold	Actual Performance Achieved	Target	Actual Performance Achieved	
2014	\$545	\$557	8.0%	9.5%	100%
2015	\$610	\$617	9.0%	9.8%	100%
2016	\$629	\$661	10.0%	8.7%	100%
Cumulative	\$1,784	\$1,834	9.1%	9.3%	100%
Corresponding Payout			100.0%		

For 2014, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$545 million and a minimum 8.0% operating income as a percentage of revenue. In 2014, the Company achieved \$557 million in revenue and 9.5% in operating income as a percentage of revenue. Accordingly, one-third of the total number of PSUs awarded were earned but were not yet vested. For 2015, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$610 million and a minimum 9.0% operating income as a percentage of revenue. In 2015, the Company achieved \$617 million in revenue and 9.8% in operating income as a percentage of revenue. Accordingly, an additional one-third of the total number of PSUs awarded were also earned but were not yet vested. For 2016, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$629 million and a minimum 10.0% operating income as a percentage of revenue. While the Company did achieve \$661 million in revenue it did not achieve the necessary operating income as a percentage of revenue in 2016. However, the Company did meet the cumulative three-year targets for the three-year performance cycle; therefore, all of the PSUs were deemed earned and vested.

Specifically, the named-executive officers earned the following PSUs with respect to the 2014-2016 long-term incentive plan cycle:

2014 - 2016 PSU Performance Cycle	2014-2016 PSUs At Target & Earned				
	PSUs At Target	2014 Earned PSUs	2015 Earned PSUs	2016 Earned PSUs	Total PSUs Earned
Colin M. Angle	13,550	4,516	4,517	4,517	13,550
Alison Dean	4,467	1,489	1,489	1,489	4,467
Russell J. Campanello	4,308	1,436	1,436	1,436	4,308
Glen D. Weinstein	2,467	822	822	823	2,467

The following table outlines the threshold and target three-year performance goals for the PSU plan for the 2015-2017 cycle. No more than 100% of the PSUs granted can be earned.

2015 - 2017 PSU Performance Cycle	Revenue (in millions)		Operating Income Percent		Actual Payout Level Achieved
	Threshold	Actual Performance Achieved	Target	Actual Performance Achieved	
2015	\$624	\$617	9.0%	9.8%	—%
2016	\$635	\$661	9.0%	8.7%	—%
2017	\$804	\$—	9.5%	—%	—%
Cumulative	\$1,983	\$—	9.2%	—%	—%
Corresponding Payout			100.0%		

For 2015, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$624 million and a minimum 9.0% operating income as a percentage of revenue. In 2015, the Company achieved \$617 million in revenue and 9.8% in operating income as a percentage of revenue. Because the revenue threshold was not achieved, no portion of the PSUs awarded under the 2015 long-term incentive plan for the 2015 - 2017 plan cycle with respect to 2015 performance were earned. For 2016, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$635 million and a minimum 9.0% operating income as a percentage of revenue. In 2016, the Company achieved \$661 million in revenue and 8.7% in operating income as a percentage of revenue. While the Company did achieve \$661 million in revenue, it did not achieve the necessary operating income as a percentage of revenue in 2016. Accordingly, no portion of the PSUs awarded under the 2016 long-term incentive plan for the 2015 - 2017 plan cycle with respect to 2016 performance were earned.

Specifically, the named-executive officers earned the following PSUs with respect to the 2015 - 2017 long-term incentive plan cycle:

	2015-2017 PSUs At Target & Earned				
	PSUs At Target	2015 Earned PSUs	2016 Earned PSUs	2017 Earned PSUs	Total PSUs Earned to Date
Colin M. Angle	19,400	0	0	—	—
Alison Dean	7,142	0	0	—	—
Christian Cerda	8,542	0	0	—	—
Russell J. Campanello	3,883	0	0	—	—
Glen D. Weinstein	3,883	0	0	—	—

The following table outlines the threshold and target three-year performance goals for the PSU plan for the 2016-2018 cycle. No more than 100% of the PSUs granted can be earned.

2016 - 2018 PSU Performance Cycle	Revenue (in millions)		Operating Income Percent		Actual Payout Level Achieved
	Threshold	Actual Performance Achieved	Target	Actual Performance Achieved	
2016	\$635	\$661	8.0%	8.7%	100%
2017	\$724	\$—	9.8%	—%	—%
2018	\$833	\$—	10.5%	—%	—%
Cumulative	\$2,191	\$—	9.5%	—%	—%
Corresponding Payout				100.0%	

For 2016, one-third of the awarded PSUs were deemed earned if the Company achieved a revenue threshold of \$635 million and a minimum 8.0% operating income as a percentage of revenue. In 2016, the Company achieved \$661 million in revenue and 8.7% in operating income as a percentage of 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 PSUs with respect to the 2016-2018 long-term incentive plan cycle:

	2016-2018 PSUs At Target & Earned				
	PSUs At Target	2016 Earned PSUs	2017 Earned PSUs	2018 Earned PSUs	Total PSUs Earned to Date
Colin M. Angle	24,867	8,289	—	—	8,289
Alison Dean	9,592	3,198	—	—	3,198
Christian Cerda	11,133	3,711	—	—	3,711
Russell J. Campanello	4,308	1,436	—	—	1,436
Glen D. Weinstein	5,857	1,953	—	—	1,953

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.

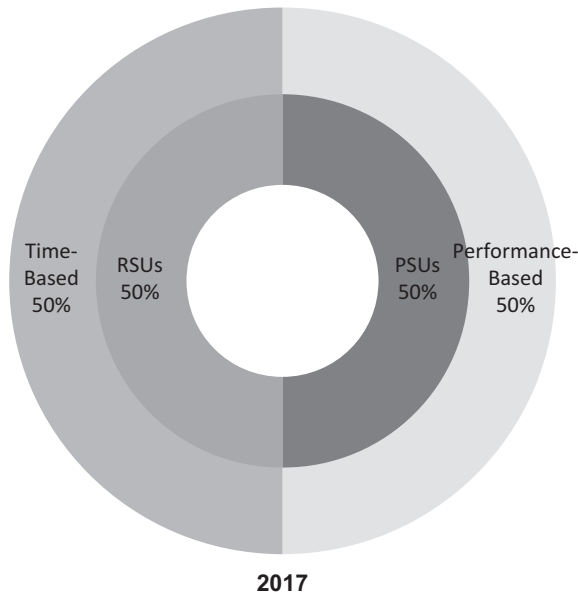
LTI Changes for 2017

Starting in 2017, we adjusted our mix of equity instruments used for named-executive officers to now be a mix of 50% time-based restricted stock units and 50% PSUs. We also adjusted the design of our PSU plan so

performance of the entire plan is measured at the end of a three-year performance period, eliminating the interim one-year cumulative goals as well as the catch-up provision, and we added an opportunity to earn above target based on actual performance achievement at the end of the three-year performance period. These changes were implemented based on feedback from our investors received during the 2016 proxy season.

The following chart depicts the mix of the components of our annual LTI program for 2017.

Long-Term Equity Components



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 to our executive officers 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 ranging from two times base salary for our senior executives to six times base salary for our chief executive officer. Our directors are also 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 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 and talent 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. Receipt of the severance payments and benefits under the executive agreements is subject to the executive officer's execution of a separation agreement, including a general release of claims, in a form and of a scope reasonably acceptable to the Company and compliance with any noncompetition, inventions and/or nondisclosure obligations owed to the Company. There are no tax gross-up payable under the executive agreements or otherwise.

Clawback Policy

In 2015, the Company adopted a clawback policy that provides the board of directors discretion to reduce the amount of future compensation (both cash and equity) 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 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 meets all the requirements to be deemed "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 and talent committee annually reviews and determined that 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 time-based 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 PSUs vest only after the achievement of significant long-term metrics designed to drive the long-term interests of our stockholders.
- PSU awards align the interests of our executive officers with the success of our business strategy.
- Maximum payout levels for cash and equity incentives 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 and talent committee has the sole authority to retain, terminate, obtain advice from, oversee and compensate its outside advisors, including its compensation consultant.

The compensation and talent committee retained Pearl Meyer as its independent executive compensation consultant for 2016. Pearl Meyer reports directly to the compensation and talent committee, and the compensation and talent committee may replace Pearl Meyer or hire additional consultants at any time. Pearl Meyer attends meetings of the compensation and talent committee, as requested, and communicates with the chairman of the compensation and talent committee between meetings; however, the committee makes all decisions regarding the compensation of the Company's executive officers.

Pearl Meyer provides various executive compensation services to the compensation and talent committee with respect to our executive officers and other key employees at the compensation and talent committee's request. The services Pearl Meyer provides include advising the compensation and talent 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 and talent committee reviews the services provided by its outside consultants and believes Pearl Meyer is independent in providing executive compensation consulting services. The compensation and talent committee conducted a specific review of its relationship with Pearl Meyer, and determined Pearl Meyer's work for the compensation and talent 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 and talent committee noted the following:

- Pearl Meyer did not provide any services to us or our management other than service to the compensation and talent committee (including compensation benchmarking for our senior leadership team), and its services were limited to executive compensation consulting;
- Fees paid by us to Pearl Meyer represented less than 1.0% of Pearl Meyer's total revenue for the period January 2016 through December 2016;

- Pearl Meyer maintains a Conflicts Policy and an Insider Trading Policy which were provided to the compensation and talent committee with specific policies and procedures designed to ensure independence;
- None of the Pearl Meyer consultants on our account had any business or personal relationship with our compensation and talent committee members;
- None of the Pearl Meyer consultants on our account had any business or personal relationship with our executive officers; and
- None of the Pearl Meyer consultants on our account directly own shares of our stock.

The compensation and talent 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 - 2016

Name and Principal Position	Year	Salary \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	All Other Compensation \$(4)	Total (\$)
Colin M. Angle Chairman, Chief Executive Officer and Director	2016	696,154	2,472,244	807,409	910,000	7,950	4,893,757
	2015	684,135	1,996,260	646,548	465,750	7,950	3,800,643
	2014	646,154	1,762,178	589,970	552,500	7,800	3,558,602
Alison Dean Executive Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer	2016	455,385	953,604	311,552	448,500	7,950	2,176,991
	2015	433,654	734,878	238,003	222,525	7,950	1,637,010
	2014	388,462	580,890	194,546	212,500	7,800	1,384,198
Christian Cerda (5) Chief Operating Officer	2016	419,808	1,151,228	377,732	378,220	7,950	2,334,938
	2015	400,000	878,938	284,498	165,600	7,950	1,736,986
	2014	335,385	360,889	120,563	159,250	7,800	983,887
Russell J. Campanello Executive Vice President, Human Resources and Corporate Communications	2016	348,462	428,335	140,033	273,000	7,950	1,197,780
	2015	344,231	399,595	129,411	140,760	7,950	1,021,947
	2014	325,000	560,299	187,841	165,750	7,950	1,246,840
Glen D. Weinstein Executive Vice President and Chief Legal Officer	2016	377,693	583,496	190,824	296,400	7,950	1,456,365
	2015	369,481	399,595	129,411	151,110	7,950	1,057,547
	2014	346,423	320,790	107,154	177,990	7,800	960,157

- (1) Represents salary earned in the fiscal years presented, which covered 52 weeks for fiscal year 2016 and 2014 and 53 weeks for fiscal year 2015.
- (2) Represents the aggregate grant date fair value for stock and option awards granted in the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, as applicable, in accordance with Financial Accounting Standards Board, Accounting Standards Codification Topic 718 (“ASC Topic 718”) disregarding any estimates of forfeitures. 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 31, 2016 for certain assumptions made in the valuation of stock and option awards.
- (3) Represents amounts paid in 2017, 2016 and 2015, respectively under the Company's Senior Executive Incentive Compensation Plan for performance in the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, as applicable.
 - (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.
 - (5) Christian Cerda's base salary was increased from \$400,000 to \$420,000 as part of the annual review process in 2016 and also received a subsequent increase to \$425,000 effective June 1, 2016 coincident with his promotion to chief operating officer. Mr. Cerda's bonus for 2016 was calculated based on the weighted average of his base salary and target incentive bonus opportunity during fiscal 2016.

Grants of Plan-Based Awards in 2016

The following table sets forth, for each of the named executive officers, information about grants of plan-based awards during fiscal year 2016:

GRANTS OF PLAN-BASED AWARDS — 2016

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	—	87,500	700,000	1,400,000	—	—	—	—	—	—	—
	3/11/2016	—	—	—	—	—	—	49,733	—	—	1,648,152
	3/11/2016	—	—	—	—	24,867	24,867	—	—	—	824,092
	3/11/2016	—	—	—	—	—	—	—	36,013	33.14	413,681
	6/10/2016	—	—	—	—	—	—	—	30,950	37.62	393,727
Alison Dean	—	43,125	345,000	690,000	—	—	—	—	—	—	—
	3/11/2016	—	—	—	—	—	—	19,183	—	—	635,725
	3/11/2016	—	—	—	—	9,592	9,592	—	—	—	317,879
	3/11/2016	—	—	—	—	—	—	—	13,888	\$33.14	159,531
	6/10/2016	—	—	—	—	—	—	—	11,950	\$37.62	152,021
Christian Cerda (4)	—	36,367	290,935	581,870	—	—	—	—	—	—	—
	3/11/2016	—	—	—	—	—	—	15,667	—	—	519,204
	3/11/2016	—	—	—	—	7,833	7,833	—	—	—	259,586
	3/11/2016	—	—	—	—	—	—	—	11,338	33.14	130,240
	6/10/2016	—	—	—	—	—	—	6,600	—	—	248,292
	6/10/2016	—	—	—	—	3,300	3,300	—	—	—	124,146
	6/10/2016	—	—	—	—	—	—	—	14,625	37.62	186,050
9/9/2016	—	—	—	—	—	—	—	4,775	39.09	61,442	
Russell J. Campanello	—	26,250	210,000	420,000	—	—	—	—	—	—	—
	3/11/2016	—	—	—	—	—	—	8,617	—	—	285,567
	3/11/2016	—	—	—	—	4,308	4,308	—	—	—	142,767
	3/11/2016	—	—	—	—	—	—	—	6,238	33.14	71,656
	6/10/2016	—	—	—	—	—	—	—	5,375	37.62	68,378
Glen D. Weinstein	—	28,500	228,000	456,000	—	—	—	—	—	—	—
	3/11/2016	—	—	—	—	—	—	11,750	—	—	389,395
	3/11/2016	—	—	—	—	5,857	5,857	—	—	—	194,101
	3/11/2016	—	—	—	—	—	—	—	8,500	33.14	97,640
	6/10/2016	—	—	—	—	—	—	—	7,325	37.62	93,184

- (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 2016 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 PSUs made pursuant to our 2015 Stock Option and Incentive Plan, as amended (the “2015 Stock 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 2015 Stock Plan.
- (4) Christian Cerda was promoted to chief operating officer effective May 31, 2016. In accordance with his promotion, Mr. Cerda received additional restricted stock unit and PSU awards in June 2016, and an additional option award in September 2016.

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 31, 2016.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END — 2016

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)(2)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(5)	Equity Incentive Plan Awards; Payout or Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
Colin M. Angle	4/1/2011	45,200	—	33.48	4/1/2018	—	—	—	—
	3/9/2012	40,825	—	26.59	3/9/2019	—	—	—	—
	3/8/2013	33,914	2,261	22.86	3/8/2020	16,562	968,049	—	—
	3/7/2014	10,640	4,835	43.35	3/7/2021	13,550	791,998	—	—
	6/6/2014	13,544	6,156	35.43	6/6/2021	—	—	—	—
	3/6/2015	10,168	13,070	34.30	3/6/2022	29,100	1,700,895	19,400	1,133,930
	6/5/2015	8,757	14,593	32.38	6/5/2022	—	—	—	—
	3/11/2016	—	36,013	32.38	3/11/2023	49,733	2,906,894	16,578	968,984
	6/10/2016	—	30,950	37.62	6/10/2023	—	—	—	—
Alison Dean	4/1/2011	7,375	—	33.48	4/1/2018	—	—	—	—
	3/9/2012	4,725	—	26.59	3/9/2019	—	—	—	—
	3/8/2013	4,664	311	22.86	3/8/2020	2,275	132,974	—	—
	6/7/2013	7,416	1,059	34.67	6/7/2020	3,700	216,265	—	—
	3/7/2014	3,506	1,594	43.35	3/7/2021	4,466	261,038	—	—
	6/6/2014	4,469	2,031	35.43	6/6/2021	—	—	—	—
	3/6/2015	3,742	4,808	34.30	3/6/2022	10,712	626,116	7,142	417,450
	6/5/2015	3,225	5,375	32.38	6/5/2022	—	—	—	—
	3/11/2016	—	13,888	33.14	3/11/2023	19,183	1,121,246	6,394	373,729
	6/10/2016	—	11,950	37.62	6/10/2023	—	—	—	—

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)(2)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4)	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(5)	Equity Incentive Plan Awards; Payout or Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
Christian Cerda	3/8/2013	56,250	3,750	22.86	3/8/2020	7,500	438,375	—	—
	3/7/2014	2,175	988	43.35	3/7/2021	4,162	243,269	—	—
	6/6/2014	2,768	1,257	35.43	6/6/2021	—	—	—	—
	3/6/2015	4,474	5,751	34.30	3/6/2022	12,812	748,861	8,542	499,280
	6/5/2015	3,854	6,421	32.38	6/5/2022	—	—	—	—
	3/11/2016	—	11,338	33.13	3/11/2023	15,667	915,736	5,222	305,226
	6/10/2016	—	14,625	37.62	6/10/2023	6,600	385,770	2,200	128,590
9/9/2016	—	4,775	39.09	9/9/2023	—	—	—	—	
Russell J. Campanello	12/30/2010	10,000	—	24.53	12/30/2017	—	—	—	—
	3/9/2012	5,500	—	26.59	3/9/2019	—	—	—	—
	3/8/2013	6,047	403	22.86	3/8/2020	2,956	172,778	—	—
	3/7/2014	3,386	1,539	43.35	3/7/2021	4,308	251,803	—	—
	6/6/2014	4,315	1,960	35.43	6/6/2021	—	—	—	—
	3/6/2015	2,035	2,615	34.30	3/6/2022	5,825	340,471	3,883	226,961
	6/5/2015	1,754	2,921	32.38	6/5/2022	—	—	—	—
	3/11/2016	—	6,238	33.14	3/11/2023	8,617	503,664	2,872	167,868
6/10/2016	—	5,375	37.62	6/10/2023	—	—	—	—	
Glen D. Weinstein	4/1/2011	11,375	—	\$33.48	4/1/2018	—	—	—	—
	3/9/2012	1,820	—	\$26.59	3/9/2019	—	—	—	—
	9/7/2012	2,417	—	\$25.99	9/7/2019	—	—	—	—
	3/8/2013	2,822	403	\$22.86	3/8/2020	2,956	172,778	—	—
	3/7/2014	1,934	879	\$43.35	3/7/2021	2,466	144,138	—	—
	6/6/2014	2,459	1,116	\$35.43	6/6/2021	—	—	—	—
	3/6/2015	2,035	2,615	\$34.30	3/6/2022	5,825	340,471	3,883	226,961
	6/5/2015	1,754	2,921	\$32.38	6/5/2022	—	—	—	—
	3/11/2016	—	8,500	\$33.14	3/11/2023	11,750	686,788	3,904	228,189
	6/10/2016	—	7,325	\$37.62	6/10/2023	—	—	—	—

- (1) Except as otherwise noted, stock option grants vest over a four-year period, at a rate of twenty-five percent (25%) on the first anniversary of the grant date, and the remainder in equal quarterly installments thereafter.
- (2) Stock options granted on June 6, 2014 vest at a rate of twenty-five percent (25%) on March 7, 2015, and the remainder in equal quarterly installments over the following three-year period.
- (3) Restricted stock unit awards vest over a four-year period, at a rate of twenty-five percent (25%) on each anniversary of the grant date.
- (4) Amounts disclosed in this column were calculated based on the closing price of our common stock on December 30, 2016, the last business date of the fiscal year ended December 31, 2016.
- (5) PSU 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 PSU awards, see the section above entitled “Compensation Discussion and Analysis - Elements of Compensation - Long-Term Incentives.”

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 31, 2016.

OPTION EXERCISES AND STOCK VESTED — 2016

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	113,950	3,439,496	53,349	1,729,291
Alison Dean	11,000	317,889	14,129	481,574
Christian Cerda			13,852	449,500
Russell J. Campanello	30,000	539,648	12,289	398,667
Glen D. Weinstein	8,351	174,417	11,767	403,257

- (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.

Equity Compensation Plan Information

The following table provides information as of December 31, 2016 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, the Evolution Robotics, Inc. 2007 Stock Plan, and the 2015 Stock Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, units and rights (a)	Weighted average exercise price of outstanding options, units 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	2,159,127 (1)	\$33.01	1,495,517 (2)
Equity compensation plans not approved by security holders	28,137 (3)	\$ 4.43	—
Total	2,187,264 (4)	\$32.27	1,495,517

- (1) Includes 1,060,037 shares of common stock issuable upon the exercise of outstanding options, 975,691 shares of common stock issuable upon the vesting of restricted stock units, and 123,999 shares of common stock issuable upon the vesting of PSUs if specified performance metrics are achieved.
- (2) As of December 31, 2016, there were no shares available for grants under the Amended and Restated 2004 Stock Option and Incentive Plan, our 2005 Stock Option and Incentive Plan, as amended, and the Evolution Robotics, Inc. 2007 Stock Plan, and 1,495,517 shares available under the 2015 Stock Plan. In connection with the adoption of the 2015 Stock Plan in 2015, the board of directors determined that no further shares would be granted under any previous Plans.
- (3) 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.
- (4) Includes 1,088,174 shares of common stock issuable upon the exercise of outstanding options.

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 31, 2016, 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 M. Angle	350,000	13,526	363,526
Alison Dean	230,000	11,408	241,408
Christian Cerda	212,500	12,779	225,279
Russell J. Campanello	175,000	12,779	187,779
Glen D. Weinstein	190,000	11,408	201,408

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 31, 2016, 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 delay in payment 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 may be 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 31, 2016, minus the exercise price, if any) of stock options and restricted stock units that would become exercisable or vested as a result of these acceleration events as of December 31, 2016.

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 M. Angle	1,400,000	1,400,000	54,104	2,547,423	6,676,276	12,077,803
Alison Dean	920,000	690,000	45,631	1,187,940	2,938,632	5,782,203
Christian Cerda	850,000	637,500	51,115	1,454,612	2,948,919	5,942,146
Russell J. Campanello	700,000	420,000	51,115	613,726	1,604,453	3,389,294
Glen D. Weinstein	760,000	456,000	45,631	560,323	1,602,524	3,424,478

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. In fiscal year 2016, each non-employee member of our board of directors was entitled to the following cash compensation:

Annual retainer for Board membership	\$ 50,000
Annual retainer for lead independent director	\$ 20,000
Audit Committee	
Annual retainer for committee membership	\$ 10,000
Additional retainer for committee chair	\$ 10,000
Compensation and Talent 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
Strategy and Finance Committee	
Annual retainer for committee membership	\$ 7,500
Additional retainer for committee chair	—

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 2015 Stock Plan or a subsequent stock option and incentive plan approved by our stockholders.

In 2016, each of our non-employee members of our board of directors was entitled to the following equity compensation:

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 date.

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

In 2016, the compensation and talent committee of the board of directors voted to increase the annual equity compensation for non-employee directors. Beginning in the second quarter of 2017, at the end of the tenth week of the fiscal quarter in which our annual meeting of stockholders occurs, each re-elected non-employee director will receive a grant of restricted stock units having a fair market value of \$130,000, which shall vest on the first anniversary of such 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 31, 2016 for each non-employee member of our board of directors. No member of our board of directors receives any additional compensation for services rendered as a member of our board of directors.

DIRECTOR COMPENSATION TABLE — 2016

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(2)	Total (\$)
Mohamad Ali (1)	64,375	109,963	174,338
Michael Bell	59,375	329,927	389,302
Ronald Chwang, Ph.D.	64,375	109,963	174,338
Gail Deegan	75,000	109,963	184,963
Deborah G. Ellinger	79,135	109,963	189,098
Andrea Geisser	75,000	109,963	184,963
George C. McNamee (3)	17,740	—	17,740
Andrew Miller	28,750	219,972	248,722
Michelle V. Stacy	68,125	109,963	178,088

- (1) Mr. Ali deferred all of his 2016 cash compensation pursuant to our Non-employee Directors' Deferred Compensation Program under which he received stock units in lieu of cash.

- (2) Represents the grant date fair value of restricted stock units awarded in the fiscal year ended December 31, 2016 in accordance with FASB ASC Topic 718 disregarding any estimates of forfeitures. 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.
- (3) Mr. McNamee stepped down from the board of directors at the 2016 annual meeting of stockholders, and as a result was not eligible to receive a stock award in 2016.

The non-employee members of our board of directors who held such position on December 31, 2016 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
Mohamad Ali	—	8,494
Michael Bell	—	8,770
Ronald Chwang, Ph.D.	—	2,923
Gail Deegan	—	2,923
Deborah G. Ellinger	—	2,923
Andrea Geisser	—	2,923
Andrew Miller	—	3,757
Michelle V. Stacy	—	3,304

Transactions with Related Persons

Mr. Miller has served as a member of our board of directors since September 2016, and currently serves as the Chief Financial Officer of PTC Inc. (“PTC”), which provides engineering software and cloud services to the Company. In fiscal year 2016, the Company paid to PTC approximately \$367,000 in respect of these services.

Other than the payments to PTC described above and the compensation agreements and other arrangements which are described in the “Compensation Discussion and Analysis” section of this proxy statement, in 2016, 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 SEC. 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 (“PwC”), independent registered public accountants, to serve as independent registered public accountants for our 2017 fiscal year. PwC has served as our independent registered public accounting firm since 1999. The Company is asking stockholders to ratify the selection by the audit committee of the board of directors of PwC as our independent auditors for the 2017 fiscal year. Although ratification by the stockholders is not required by law, the board of directors has determined that it is desirable to request approval of this selection by the stockholders as a matter of good corporate governance. In the event the stockholders fail to ratify the appointment of PwC, the audit committee will consider this factor when making any determinations regarding PwC.

Independence and Quality

As provided in the audit committee charter, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the company. Each year, the audit committee considers whether to retain PwC and whether such service continues to be in the best interests of the Company and our stockholders. Among other things, the audit committee considers:

- the quality and scope of the audit;
- the independence of PwC;
- the performance of the lead engagement partner, the number of people staffed on the engagement team, and the quality of the engagement team, including the quality of the audit committee’s ongoing communications with and the capability and expertise of the team;
- PwC’s tenure as our independent auditor and its familiarity with our global operations and business, accounting policies and practices, and internal controls over financial reporting; and
- external data relating to audit quality and performance, including recent PCAOB inspection reports available for PwC.

Based on this evaluation, the members of the audit committee and the board of directors believe that PwC is independent and that it is in the best interests of the Company and our stockholders to retain PwC to serve as our independent auditors for the fiscal year 2017.

The audit committee is also responsible for selecting the lead engagement partner. The rules of the Securities and Exchange Commission (the “SEC”) and PwC’s policies require mandatory rotation of the lead engagement partner every five years. In 2015, the audit committee selected a new lead engagement partner to begin in the 2016 fiscal year. During 2015, the audit committee, including the chair of the audit committee, were directly involved in the selection of the new lead engagement partner. The process for selecting a new lead engagement partner was fulsome and allowed for thoughtful consideration of multiple candidates, each of whom met a list of specified criteria. The process included discussions between the chair of the audit committee and PwC as to all of the final candidates under consideration for the position, meetings with the full audit committee and management, and robust interviews with the final candidates.

Pre-Approval of Audit and Non-audit Services

The audit committee of the board of directors has implemented procedures under our audit committee pre-approval policy for audit and non-audit services (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 PwC 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 PwC. 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 PwC, see “The Board of Directors and Its Committees” and “Report of the Audit Committee of the Board of Directors.”

Representatives of PwC attended all of the standard audit committee meetings in 2016. We expect that a representative of PwC 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 PwC to us during the fiscal years ended December 31, 2016 and January 2, 2016.

	2016	2015
Audit Fees	\$ 1,099,304	\$ 1,056,021
Audit-Related Fees	177,876	278,217
Tax Fees	548,558	140,187
All Other Fees	3,394	3,394
Total	\$ 1,829,132	\$ 1,477,819

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 SEC.

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 PwC 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 2017.

PROPOSAL 3

APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE SUPERMAJORITY VOTING REQUIREMENTS

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 “Existing Certificate”) and by-laws that calls for a greater than a simple majority vote be eliminated and replaced by a majority voting standard.

In 2015, our nominating and corporate governance committee and our board of directors determined it was appropriate to propose the amendments described below, and included the proposal described below in our proxy statement for the 2015 annual meeting. Despite receiving the affirmative votes of holders of 58% of the outstanding shares at the 2015 annual meeting, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal.

In 2016, our nominating and corporate governance committee and our board of directors again determined it was appropriate to propose the amendments described below, and included the proposal described below in our proxy statement for the 2016 annual meeting. Despite receiving the affirmative votes of holders of over 68% of the outstanding shares at the 2016 annual meeting, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal.

Our board of directors continues to believe that the amendments described below are in the best interests of the Company’s stockholders, and, in light of the strong support received at both the 2015 and 2016 annual meetings, our board of directors has unanimously adopted a resolution approving and declaring the advisability of the below amendments to our Existing Certificate, which change 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 the affirmative vote of a majority of the shares of the Company entitled to vote at an election of directors, which is the lowest allowable vote threshold under Delaware law; provided, however, that if Proposal 4 is approved by stockholders, the ability to remove will be without cause.

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 the affirmative vote of a majority of the shares cast and entitled to vote on such matter (with “abstentions,” “broker non-votes,” and “withheld” votes not counted as a vote either “for” or “against” such amendment or repeal).

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, the threshold approval for stockholders to amend or repeal these provisions will be a vote of the majority of the outstanding shares of the Company entitled to vote on such amendment or repeal, which is the lowest allowable vote threshold under Delaware law.

This description of the proposed amendments to our Existing Certificate is a summary and is qualified by the full text of the proposed amendments to our Existing Certificate, which is attached to this proxy statement as Annex A and is marked to show the changes described above.

To be approved, the proposed amendments to our Existing Certificate require an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the proposed amendments to our Existing Certificate will become effective upon the filing of an amended and restated certificate of incorporation 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, we will make conforming amendments to our by-laws to require the vote of a majority of the shares cast for the amendment or repeal of our by-laws.

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 ELIMINATE SUPERMAJORITY VOTING REQUIREMENTS.

PROPOSAL 4

APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

At our 2015 annual meeting of stockholders, our stockholders voted to request that our board of directors take the steps necessary to reorganize the board of directors into one class with each director subject to election each year. As part of the request, our stockholders proposed that the Company would have the option to phase such declassification in over three years.

On March 18, 2016, our board of directors, after carefully considering the advantages and disadvantage of reorganizing the board of directors into one class with each director subject to election each year, unanimously adopted a resolution approving and declaring the advisability of amendments to our Existing Certificate that would declassify our board of directors over a three-year period and provide for the annual election of our directors commencing at the 2017 annual meeting, subject to obtaining approval of such amendments by our stockholders at the 2016 annual meeting.

Despite receiving the affirmative votes of holders of over 68% of the outstanding shares at the 2016 annual meeting, the proposal failed to receive the affirmative vote of holders of 75% of the outstanding shares, which is the required threshold for approval of the proposal.

Our board of directors continues to believe that the amendments described below are in the best interests of the Company's stockholders, and, in light of the strong support received at both the 2015 and 2016 annual meetings, our board of directors has unanimously adopted a resolution approving and declaring the advisability of the below amendments to our Existing Certificate, to declassify the board. After further review and consideration, our board of directors has determined that it is in the best interests of the Company's stockholders to, upon approval by the Company's stockholders, declassify our board of directors and provide for annual election of all of our directors commencing at the 2018 annual meeting. If this Proposal 4 is approved by the stockholders, the terms for all directors will end at the 2018 annual meeting, and commencing with the 2018 annual meeting, all directors will be elected for one-year terms at each subsequent annual meeting. If this Proposal 4 is approved, any director appointed by the board of directors as a result of a newly created directorship or to fill a vacancy would hold office until the next occurring annual meeting.

Article VI, Section 3 of our Existing Certificate currently provides that our directors are divided into three classes, with each class serving a three-year term. Under the proposed amendments to our Existing Certificate in this Proposal 4, Article VI, Section 3 of the Existing Certificate would be amended to phase out the classified board structure. If the proposed amendments are approved, commencing with the 2018 annual meeting of stockholders, all directors will stand for election for one-year terms expiring at the next succeeding annual meeting of stockholders. In all cases, each director will hold office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. Any director appointed to the board of directors to fill a vacancy following the 2018 annual meeting of stockholders will hold office for a term expiring at the next annual meeting of stockholders following such appointment. Corresponding changes related to the declassification of the board would be made to Article VI, Section 4 of the Existing Certificate pertaining to vacancies on the board of directors. Article VI, Section 5 of the Existing Certificate, which currently provides that directors may be removed by stockholders only for cause, would also be amended to allow for removal of directors without cause. If the stockholders do not approve this Proposal 4, our board of directors will remain classified and our directors will continue to be subject to the classifications set forth in our Existing Certificate.

This description of the proposed amendments to our Existing Certificate is a summary and is qualified by the full text of the proposed amendments to our Existing Certificate, which is attached to this proxy statement as Annex A and is marked to show the changes described above.

To be approved, the proposed amendments to our Existing Certificate require an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the proposed amendments to our Existing Certificate will become effective upon the filing of an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS.

PROPOSAL 5**APPROVAL OF AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE THE PROHIBITION ON STOCKHOLDERS' ABILITY TO CALL A SPECIAL MEETING**

Our Existing Certificate and our by-laws provide that special meetings of the stockholders may be called only by the affirmative vote of a majority of the board of directors.

As part of our board of directors' ongoing review of corporate governance practices, the board of directors has reviewed and considered the advantages and disadvantages of permitting stockholders to call special meetings. Stockholder-called special meetings may divert management's time away from the Company's day-to-day operations and involve significant organization, distribution, legal and other costs, which may ultimately be counter to the best interest of the Company's stockholders as a whole. The board of directors also recognizes that the ability to call special meetings would allow stockholders to convene to vote on matters outside of the annual meeting that are important to the Company's growth and success. As a result, our board of directors believes that stockholders, or groups of stockholders, owning at least 25% of the Company's outstanding common stock (the "Requisite Threshold") should have the ability to call special meetings.

Our board of directors has unanimously adopted a resolution approving and declaring the advisability of an amendment to our Existing Certificate to remove the first sentence of Article V, Section 2, which provides that special meetings may only be called by the affirmative vote of a majority of the board of directors. Our board of directors believes that this amendment is in the best interests of the Company's stockholders. Our board of directors has unanimously approved, subject to stockholder approval of this proposal, amendments to our by-laws to establish the requirements and procedures for stockholders to call special meetings (the "By-law Amendment"). The By-law Amendment provides that stockholders, or groups of stockholders, holding the Requisite Threshold may direct the Company's Secretary to call special meetings. The By-law Amendment will become effective only upon approval of this proposal.

The above description of the proposed amendment to our Existing Certificate is a summary and is qualified by the full text of the proposed amendment to our Existing Certificate, which is attached to this proxy statement as Annex A and is marked to show the changes described above.

To be approved, the proposed amendment to our Existing Certificate requires an affirmative vote of holders of 75% of the outstanding shares entitled to vote on the record date. If approved, the proposed amendment to our Existing Certificate will become effective upon the filing of an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE THE PROHIBITION ON STOCKHOLDERS' ABILITY TO CALL A SPECIAL MEETING.

PROPOSAL 6

APPROVAL OF THE 2017 EMPLOYEE STOCK PURCHASE PLAN

On April 3, 2017, the board of directors adopted, subject to the approval of our stockholders, the iRobot Corporation 2017 Employee Stock Purchase Plan (the “ESPP”). We believe that the adoption of the ESPP will benefit us by providing employees with an opportunity to acquire shares of our common stock and will enable us to attract, retain and motivate valued employees.

Based solely on the closing price of our common stock reported on the NASDAQ Global Select Market on April 3, 2017, the maximum aggregate market value of the 700,000 shares of common stock that could potentially be issued under the ESPP is \$45,808,000.

Summary of the Material Provisions of the ESPP

The following description of certain provisions of the ESPP is intended to be a summary only. The summary is qualified in its entirety by the full text of the ESPP, a copy of which is attached hereto as Annex B. It is our intention that the ESPP qualify as an “employee stock purchase plan” under Section 423 of the Code.

Shares Subject to the Plan. An aggregate of 700,000 shares will be reserved and available for issuance under the ESPP. If our capital structure changes because of a stock dividend, stock split or similar event, the number of shares that can be issued under the ESPP will be appropriately adjusted.

Plan Administration. The ESPP will be administered by the compensation and talent committee, which will have full authority to make, administer and interpret such rules and regulations regarding the ESPP as it deems advisable.

Eligibility. Any employee of the Company or its U.S. subsidiaries is eligible to participate in the ESPP so long as the employee has been employed for at least 30 days on the first day of the applicable offering period. No person who owns or holds, or as a result of participation in the ESPP would own or hold, common stock or options to purchase common stock, that together equal to 5% or more of total outstanding common stock is entitled to participate in the ESPP. No employee may exercise an option granted under the ESPP that permits the employee to purchase common stock of the Company having a value of more than \$25,000 (determined using the fair market value of the stock at the time such option is granted) in any calendar year.

Participation; Payroll Deductions. Participation in the ESPP is limited to eligible employees who authorize payroll deductions equal to a whole percentage of base pay to the ESPP. Employees may authorize payroll deductions, with a minimum of 1% of base pay and a maximum of 15% of base pay. There are currently approximately 564 employees who will be eligible to participate in the ESPP. Once an employee becomes a participant in the ESPP, that employee will automatically participate in successive offering periods, as described below, until such time as that employee withdraws from the ESPP, becomes ineligible to participate in the ESPP, or his or her employment ceases.

Offering Periods. Unless otherwise determined by the compensation and talent committee, each offering of common stock under the ESPP will be for a period of six months, which we refer to as an “offering period.” The first offering period under the ESPP will begin on June 15, 2017 and end on the following November 14th. Subsequent offerings under the ESPP will generally begin on the first business day occurring on or after each November 15th and May 15th and will end on the last business day occurring on or before the following May 14th and November 14th, respectively. Shares are purchased on the last business day of each offering period, with that day being referred to as an “exercise date.” The compensation and talent committee may establish different offering periods or exercise dates under the ESPP.

Exercise Price. On the first day of an offering period, employees participating in that offering period will receive an option to purchase shares of our common stock. On the exercise date of each offering period, the employee is deemed to have exercised the option, at the exercise price, to the extent of accumulated payroll deductions. The option exercise price is equal to the lesser of (i) 85% the fair market value per share of our common stock on the first day of the offering period or (ii) 85% of the fair market value per share of our common stock on the exercise date. The maximum number of shares of common stock that may be issued to any employee under the ESPP in any offering period is 1,000 or such other lesser number of shares as determined by our compensation and talent committee from time to time.

Subject to certain limitations, the number of shares of our common stock a participant purchases in each offering period is determined by dividing the total amount of payroll deductions withheld from the participant's compensation during the offering period by the option exercise price. In general, if an employee is no longer a participant on an exercise date, the employee's option will be automatically terminated, and the amount of the employee's accumulated payroll deductions will be refunded.

Terms of Participation. Except as may be permitted by the compensation and talent committee in advance of an offering, a participant may not increase or decrease the amount of his or her payroll deductions during any offering period but may increase or decrease his or her payroll deduction with respect to the next offering period by filing a new enrollment form within the period beginning 15 business days before the first day of such offering period and ending on the day prior to the first day of such offering period. A participant may withdraw from an offering period at any time without affecting his or her eligibility to participate in future offering periods. If a participant withdraws from an offering period, that participant may not again participate in the same offering period, but may enroll in subsequent offering periods. An employee's withdrawal will be effective as of the business day following the employee's delivery of written notice of withdrawal under the ESPP.

Term; Amendments and Termination. The ESPP will continue until terminated by our board of directors. Our board of directors may, in its discretion, at any time, terminate or amend the ESPP. Upon termination of the ESPP, all amounts in the accounts of participating employees will be refunded.

New Plan Benefits

Since participation in the ESPP is voluntary, the benefits or amounts that will be received by or allocated to any individual or group of individuals under the amended and restated ESPP in the future are not determinable.

Summary of Federal Income Tax Consequences

The following is only a summary of the effect of the United States income tax laws and regulations upon an employee and us with respect to an employee's participation in the ESPP. This summary does not purport to be a complete description of all federal tax implications of participation in the ESPP, nor does it discuss the income tax laws of any municipality, state or foreign country in which a participant may reside or otherwise be subject to tax.

A participant in the ESPP recognizes no taxable income either as a result of participation in the ESPP or upon exercise of an option to purchase shares of our common stock under the terms of the ESPP.

If a participant disposes of shares purchased upon exercise of an option granted under the ESPP within two years from the first day of the applicable offering period or within one year from the exercise date, which we refer to as a “disqualifying disposition,” the participant will realize ordinary income in the year of that disposition equal to the amount by which the fair market value of the shares on the date the shares were purchased exceeds the purchase price. The amount of ordinary income will be added to the participant’s basis in the shares, and any additional gain or resulting loss recognized on the disposition of the shares will be a capital gain or loss. A capital gain or loss will be long-term if the participant’s holding period is more than 12 months, or short-term if the participant’s holding period is 12 months or less.

If the participant disposes of shares purchased upon exercise of an option granted under the ESPP at least two years after the first day of the applicable offering period and at least one year after the exercise date, the participant will realize ordinary income in the year of disposition equal to the lesser of (1) 15% of the fair market value of the common stock on the first day of the offering period in which the shares were purchased and (2) the excess of the amount actually received for the common stock over the amount paid. The amount of any ordinary income will be added to the participant’s basis in the shares, and any additional gain recognized upon the disposition after that basis adjustment will be a long-term capital gain. If the fair market value of the shares on the date of disposition is less than the exercise price, there will be no ordinary income and any loss recognized will be a long-term capital loss.

We are generally entitled to a tax deduction in the year of a disqualifying disposition equal to the amount of ordinary income recognized by the participant as a result of that disposition. In all other cases, we are not allowed a deduction.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE 2017 EMPLOYEE STOCK PURCHASE PLAN.

PROPOSAL 7**ADVISORY VOTE TO APPROVE THE COMPENSATION OF 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. In accordance with the advisory vote by our stockholders, we hold a non-binding, advisory votes on the compensation of our named executive officers every year. Our board of directors will consider the results of the non-binding advisory vote on the frequency of holding non-binding advisory votes on the compensation of our named executive officers outlined in Proposal 8 in determining the frequency going forward.

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 recommend that you read the Compensation Discussion and Analysis 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 and talent committee or our board of directors. However, our board of directors and our compensation and talent 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.

Recommendation of the Board

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 8

ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Section 14A(a)(2) of the Exchange Act enables stockholders to vote on a non-binding advisory basis on how frequently our Company will submit “say-on-pay” proposals, similar to Proposal 7, to stockholders in the future. Under Section 14A(a)(2), generally, each public company must submit this proposal to its stockholders not less than every six years, and this proposal was last submitted to our Company’s stockholders at the 2011 annual meeting. Stockholders may choose to recommend that future say-on-pay proposals be held (i) every year (“1 YEAR” on the proxy card), (ii) every two years (“2 YEARS” on the proxy card) or (iii) every three years (“3 YEARS” on the proxy card). In addition, stockholders may choose to abstain from voting on this proposal.

After careful consideration, our board of directors believes that submitting a non-binding, advisory say-on-pay resolution to stockholders every year is the most appropriate alternative for the Company, and this alternative received the majority of the votes cast at our Company’s 2011 annual meeting of stockholders. Annual votes will provide our Company with clearer feedback regarding the compensation of our named executive officers. The primary focus of the disclosure of the compensation of our named executive officers required to be included in our Company’s proxy statements is compensation granted in or for the prior fiscal year. Accordingly, an annual say-on-pay resolution will complement the annual focus of our proxy statement disclosure and provide our Company with the clearest and most timely feedback of the three frequency options. This feedback may then be considered by the compensation and talent committee in its annual decision-making process. Additionally, the administrative process of submitting a non-binding, advisory say-on-pay resolution to stockholders on an annual basis is not expected to impose any substantial additional costs on our Company.

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

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE, ON AN ADVISORY BASIS, FOR EVERY YEAR (“1 YEAR” ON THE PROXY CARD) AS THE FREQUENCY FOR FUTURE NON-BINDING, ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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 February 14, 2017: (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	3,038,725	11.2%
The Vanguard Group, Inc.(4) 100 Vanguard Boulevard Malvern, PA 19355	2,818,753	10.34%
Colin M. Angle(5)	612,100	2.25%
Alison Dean(6)	95,283	*
Christian Cerda(7)	117,330	*
Russell J. Campanello(8)	97,312	*
Glen D. Weinstein(9)	84,254	*
Mohamad Ali	3,411	*
Michael Bell	—	*
Ronald Chwang(10)	104,203	*
Gail Deegan	16,522	*
Deborah G. Ellinger	20,663	*
Elisha Finney	—	*
Andrea Geisser	61,204	*
Andrew Miller	—	*
Michelle V. Stacy	9,701	*
All executive officers, directors and nominees as a group	1,222,923	4.49%

- * Represents less than 1% of the outstanding common stock.
- (1) Beneficial ownership is determined in accordance with the rules of the SEC 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 SEC, 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 February 14, 2017 and (ii) shares issuable pursuant to restricted stock units held by the respective person or group that vest within 60 days of February 14, 2017.
- (2) Applicable percentage of ownership as of February 14, 2017 is based upon 27,246,211 shares of common stock outstanding.
- (3) BlackRock Inc. has sole voting power with respect to 2,979,051 shares and sole dispositive power with respect to 3,038,725 shares. The address of BlackRock Inc. is 55 East 52nd Street, New York, NY 10055.

This information has been obtained from a Schedule 13G/A filed by BlackRock Inc. with the SEC on January 12, 2017.

- (4) The Vanguard Group, Inc. has sole voting power with respect to 53,955 shares, shared voting power with respect to 6,200 shares, sole dispositive power with respect to 2,760,198 shares and shared dispositive power with respect to 58,555 shares. Vanguard Fiduciary Trust Company (“VFTC”), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 52,355 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 7,800 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 SEC on March 10, 2017.
- (5) Includes 179,423 shares issuable upon exercise of stock options and 45,471 shares issuable upon vesting of restricted stock units.
- (6) Includes 45,232 shares issuable upon exercise of stock options and 12,875 shares issuable upon vesting of restricted stock units.
- (7) Includes 77,836 shares issuable upon exercise of stock options and 17,769 shares issuable upon vesting of restricted stock units.
- (8) Includes 36,283 shares issuable upon exercise of stock options and 9,207 shares issuable upon vesting of restricted stock units.
- (9) Includes 30,126 shares issuable upon exercise of stock options and 9,069 shares issuable upon vesting of restricted stock units.
- (10) Includes 79,210 shares held in a trust for the benefit of certain of Dr. Chwang’s family members. As co-trustees of the family trust, shares voting and dispositive power over the shares held by the trust with Dr. Chwang’s spouse.

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 2018 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 18, 2017. Stockholders who meet the applicable eligibility requirements under the proxy access provision of our by-laws and wish to include nominees for our board of directors in the Company's proxy statement for the 2018 annual meeting, or stockholders who wish to make a proposal at the 2018 annual meeting (other than a proposal made pursuant to Rule 14a-8 or pursuant to the proxy access provision of our by-laws), must in each case notify us between January 23, 2018 and February 22, 2018. If a stockholder who wishes to present a proposal fails to notify us by February 22, 2018 and such proposal is brought before the 2018 annual meeting, then under the Securities and Exchange Commission's proxy rules, the proxies solicited by management with respect to the 2018 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 SEC'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 SEC. Such persons are required by regulations of the SEC 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 31, 2016, except that Messrs. Angle and Ali each did not timely file a Form 4 with respect to one transaction.

EXPENSES AND SOLICITATION

The Company will pay all costs of soliciting these proxies. In addition, some of our officers and employees may solicit proxies by telephone or in person. We will reimburse brokers for the expenses they incur in forwarding the proxy materials to you. The Company has retained Georgeson LLC to assist us with the solicitation of proxies for a fee not to exceed \$11,000, plus reimbursement for out-of-pocket expenses.

Exhibit A

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

	For the twelve months ended	
	December 31, 2016	January 2, 2016
Net income	\$ 41,939	\$ 44,130
Interest income, net	(934)	(678)
Income tax expense	19,422	18,841
Depreciation	9,974	11,375
Amortization	3,632	3,715
EBITDA	74,033	77,383
Stock-based compensation expense	15,995	14,183
Net merger, acquisition and divestiture expense*	1,848	822
Net intellectual property litigation expense	665	(394)
Restructuring expense	1,857	—
Adjusted EBITDA	\$ 94,398	\$ 91,994

* This definition was modified in the fourth quarter of fiscal 2015 to incorporate divestiture related costs.

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, amortization, stock-based compensation expense, net merger, acquisition and divestiture expense, net intellectual property litigation (income) expense, and restructuring expense. 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 GAAP results and using Adjusted EBITDA only supplementally.

ANNEX A

PROPOSED AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION

The following are proposed changes to our amended and restated certificate of incorporation as described in Proposals 3, 4 and 5. 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. **Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock at the annual meeting of stockholders of the Corporation that is held in calendar year 2018 and at each annual meeting of stockholders of the Corporation thereafter, all Directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders of the Corporation.** 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 a term expiring at the next annual meeting of stockholders of the Corporation held after such appointment** ~~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~~ **without** 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~~ **votes cast by the stockholders** entitled to vote on such amendment or repeal, voting together as a single class **(with “abstentions”, “broker non-votes” and “withheld” votes not counted as a vote either “for” or “against” such amendment or repeal)**; 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.~~

Annex B

IROBOT CORPORATION

2017 EMPLOYEE STOCK PURCHASE PLAN

The purpose of the iRobot Corporation 2017 Employee Stock Purchase Plan (“the Plan”) is to provide eligible employees of iRobot Corporation (the “Company”) and each Designated Subsidiary (as defined in Section 11) with opportunities to purchase shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”). An aggregate of 700,000 shares of Common Stock have been approved and reserved for this purpose.

The Plan includes two components: a Code Section 423 Component (the “423 Component”) and a non-Code Section 423 Component (the “Non-423 Component”). It is intended for the 423 Component to constitute an “employee stock purchase plan” within the meaning of Section 423(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and the 423 Component shall be interpreted in accordance with that intent (although the Company makes no undertaking or representation to maintain such qualification). In addition, this Plan authorizes the grant of options under the Non-423 Component that does not qualify as an “employee stock purchase plan” under Section 423 of the Code. Except as otherwise provided herein, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

1. Administration. The Plan will be administered by the person or persons (the “Administrator”) appointed by the Company’s Board of Directors (the “Board”) for such purpose. The Administrator has authority at any time to: (i) adopt, alter and repeal such rules, guidelines and practices for the administration of the Plan and for its own acts and proceedings as it shall deem advisable; (ii) interpret the terms and provisions of the Plan; (iii) make all determinations it deems advisable for the administration of the Plan; (iv) decide all disputes arising in connection with the Plan; and (v) otherwise supervise the administration of the Plan. All interpretations and decisions of the Administrator shall be binding on all persons, including the Company and the Participants. No member of the Board or individual exercising administrative authority with respect to the Plan shall be liable for any action or determination made in good faith with respect to the Plan or any option granted hereunder.

2. Offerings. The Company will make one or more offerings to eligible employees to purchase Common Stock under the Plan (“Offerings”). Unless otherwise determined by the Administrator, the initial Offering will begin on June 15, 2017 and will end on the following November 14th (the “Initial Offering”). Thereafter, unless otherwise determined by the Administrator, an Offering will begin on the first business day occurring on or after each November 15th and May 15th and will end on the last business day occurring on or before the following May 14th and November 14th, respectively. The Administrator may, in its discretion, designate a different period for any Offering, provided that no Offering shall exceed six months in duration or overlap any other Offering.

3. Eligibility. All individuals classified as employees on the payroll records of the Company and each Designated Subsidiary are eligible to participate in any one or more of the Offerings under the Plan, provided that as of the first day of the applicable Offering (the “Offering Date”) they are employed by the Company or a Designated Subsidiary and have completed at least 30 days of employment. Notwithstanding any other provision herein, individuals who are not contemporaneously classified as employees of the Company or a Designated Subsidiary for purposes of the Company’s or applicable Designated Subsidiary’s payroll system are not considered to be eligible employees of the Company or any Designated Subsidiary and shall not be eligible to participate in the Plan. In the event any such individuals are reclassified as employees of the Company or a Designated Subsidiary for any purpose, including, without limitation, common law or statutory employees, by any action of any third party, including, without limitation, any government agency, or as a result of any private

lawsuit, action or administrative proceeding, such individuals shall, notwithstanding such reclassification, remain ineligible for participation. Notwithstanding the foregoing, the exclusive means for individuals who are not contemporaneously classified as employees of the Company or a Designated Subsidiary on the Company's or Designated Subsidiary's payroll system to become eligible to participate in this Plan is through an amendment to this Plan, duly executed by the Company, which specifically renders such individuals eligible to participate herein.

4. Participation.

(a) An eligible employee who is not a Participant in any prior Offering may participate in a subsequent Offering by submitting an enrollment form to his or her appropriate payroll location at least 15 business days before the Offering Date (or by such other deadline as shall be established by the Administrator for the Offering).

(b) Enrollment. The enrollment form will (a) state a whole percentage to be deducted from an eligible employee's Compensation (as defined in Section 11) per pay period, (b) authorize the purchase of Common Stock in each Offering in accordance with the terms of the Plan and (c) specify the exact name or names in which shares of Common Stock purchased for such individual are to be issued pursuant to Section 10. An employee who does not enroll in accordance with these procedures will be deemed to have waived the right to participate. Unless a Participant files a new enrollment form or withdraws from the Plan, such Participant's deductions and purchases will continue at the same percentage of Compensation for future Offerings, provided he or she remains eligible.

(c) Notwithstanding the foregoing, participation in the Plan will neither be permitted nor be denied contrary to the requirements of the Code.

5. Employee Contributions. Each eligible employee may authorize payroll deductions at a minimum of one percent up to a maximum of 15 percent of such employee's Compensation for each pay period. The Company will maintain book accounts showing the amount of payroll deductions made by each Participant for each Offering. No interest will accrue or be paid on payroll deductions.

6. Deduction Changes. Except as may be determined by the Administrator in advance of an Offering, a Participant may not increase or decrease his or her payroll deduction during any Offering, but may increase or decrease his or her payroll deduction with respect to the next Offering (subject to the limitations of Section 5) by filing a new enrollment form at least 15 business days before the next Offering Date (or by such other deadline as shall be established by the Administrator for the Offering). The Administrator may, in advance of any Offering, establish rules permitting a Participant to increase, decrease or terminate his or her payroll deduction during an Offering.

7. Withdrawal. A Participant may withdraw from participation in the Plan by delivering a written notice of withdrawal to his or her appropriate payroll location. The Participant's withdrawal will be effective as of the next business day. Following a Participant's withdrawal, the Company will promptly refund such individual's entire account balance under the Plan to him or her (after payment for any Common Stock purchased before the effective date of withdrawal). Partial withdrawals are not permitted. Such an employee may not begin participation again during the remainder of the Offering, but may enroll in a subsequent Offering in accordance with Section 4.

8. Grant of Options. On each Offering Date, the Company will grant to each eligible employee who is then a Participant in the Plan an option ("Option") to purchase on the last day of such Offering (the "Exercise Date"), at the Option Price hereinafter provided for, the lowest of (a) a number of shares of Common

Stock determined by dividing such Participant's accumulated payroll deductions on such Exercise Date by the Option Price (as defined herein), (b) 1,000 shares; or (c) such other lesser maximum number of shares as shall have been established by the Administrator in advance of the Offering; provided, however, that such Option shall be subject to the limitations set forth below. Each Participant's Option shall be exercisable only to the extent of such Participant's accumulated payroll deductions on the Exercise Date. The purchase price for each share purchased under each Option (the "Option Price") will be 85 percent of the Fair Market Value of the Common Stock on the Offering Date or the Exercise Date, whichever is less.

Notwithstanding the foregoing, no Participant may be granted an option hereunder if such Participant, immediately after the option was granted, would be treated as owning stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or any Parent or Subsidiary (as defined in Section 11). For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of a Participant, and all stock which the Participant has a contractual right to purchase shall be treated as stock owned by the Participant. In addition, no Participant may be granted an Option which permits his or her rights to purchase stock under the Plan, and any other employee stock purchase plan of the Company and its Parents and Subsidiaries, to accrue at a rate which exceeds \$25,000 of the fair market value of such stock (determined on the option grant date or dates) for each calendar year in which the Option is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Code and shall be applied taking Options into account in the order in which they were granted.

9. Exercise of Option and Purchase of Shares. Each employee who continues to be a Participant in the Plan on the Exercise Date shall be deemed to have exercised his or her Option on such date and shall acquire from the Company such number of whole shares of Common Stock reserved for the purpose of the Plan as his or her accumulated payroll deductions on such date will purchase at the Option Price, subject to any other limitations contained in the Plan. Any amount remaining in a Participant's account at the end of an Offering solely by reason of the inability to purchase a fractional share will be carried forward to the next Offering; any other balance remaining in a Participant's account at the end of an Offering will be refunded to the Participant promptly.

10. Issuance of Certificates. Certificates representing shares of Common Stock purchased under the Plan may be issued only in the name of the employee, in the name of the employee and another person of legal age as joint tenants with rights of survivorship, or in the name of a broker authorized by the employee to be his, her or their, nominee for such purpose.

11. Definitions.

The term "Compensation" means the amount of base pay, prior to salary reduction pursuant to Sections 125, 132(f) or 401(k) of the Code, but excluding overtime, commissions, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances or travel expenses, income or gains on the exercise of Company stock options, and similar items.

The term "Designated Subsidiary" means any present or future Subsidiary (as defined below) that has been designated by the Board to participate in the Plan. The Board may so designate any Subsidiary, or revoke any such designation, at any time and from time to time, either before or after the Plan is approved by the stockholders and may further designate such Subsidiaries as participating in the 423 Component or the Non-423 Component. The current list of Designated Subsidiaries is attached hereto as Appendix A.

The term "Fair Market Value of the Common Stock" on any given date means the fair market value of the Common Stock determined in good faith by the Administrator; provided, however, that if the Common Stock

is admitted to quotation on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), NASDAQ Global Select Market or another national securities exchange, the determination shall be made by reference to the closing price on such date. If there is no closing price for such date, the determination shall be made by reference to the last date preceding such date for which there is a closing price.

The term “Parent” means a “parent corporation” with respect to the Company, as defined in Section 424(e) of the Code.

The term “Participant” means an individual who is eligible as determined in Section 3 and who has complied with the provisions of Section 4.

The term “Subsidiary” means a “subsidiary corporation” with respect to the Company, as defined in Section 424(f) of the Code.

12. Rights on Termination of Employment. If a Participant’s employment terminates for any reason before the Exercise Date for any Offering, no payroll deduction will be taken from any pay due and owing to the Participant and the balance in the Participant’s account will be paid to such Participant or, in the case of such Participant’s death, to his or her designated beneficiary as if such Participant had withdrawn from the Plan under Section 7. An employee will be deemed to have terminated employment, for this purpose, if the corporation that employs him or her, having been a Designated Subsidiary, ceases to be a Subsidiary, or if the employee is transferred to any corporation other than the Company or a Designated Subsidiary. An employee will not be deemed to have terminated employment for this purpose, if the employee is on 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 reemployment 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 provides in writing.

13. Special Rules. Notwithstanding anything herein to the contrary, the Administrator may adopt special rules applicable to the employees of a particular Designated Subsidiary, whenever the Administrator determines that such rules are necessary or appropriate for the implementation of the Plan in a jurisdiction where such Designated Subsidiary has employees; provided that if such rules are inconsistent with the requirements of Section 423(b) of the Code, these employees will participate in the Non-423 Component. Any special rules established pursuant to this Section 13 shall, to the extent possible, result in the employees subject to such rules having substantially the same rights as other Participants in the Plan.

14. Optionees Not Stockholders. Neither the granting of an Option to a Participant nor the deductions from his or her pay shall constitute such Participant a holder of the shares of Common Stock covered by an Option under the Plan until such shares have been purchased by and issued to him or her.

15. Rights Not Transferable. Rights under the Plan are not transferable by a Participant other than by will or the laws of descent and distribution, and are exercisable during the Participant’s lifetime only by the Participant.

16. Application of Funds. All funds received or held by the Company under the Plan may be combined with other corporate funds and may be used for any corporate purpose.

17. Adjustment in Case of Changes Affecting Common Stock. In the event of a subdivision of outstanding shares of Common Stock, the payment of a dividend in Common Stock or any other change affecting the Common Stock, the number of shares approved for the Plan and the share limitation set forth in Section 8 shall be equitably or proportionately adjusted to give proper effect to such event.

18. Amendment of the Plan. The Board may at any time and from time to time amend the Plan in any respect, except that without the approval within 12 months of such Board action by the stockholders, no amendment shall be made increasing the number of shares approved for the Plan or making any other change that would require stockholder approval in order for the Plan, as amended, to qualify as an “employee stock purchase plan” under Section 423(b) of the Code.

19. Insufficient Shares. If the total number of shares of Common Stock that would otherwise be purchased on any Exercise Date plus the number of shares purchased under previous Offerings under the Plan exceeds the maximum number of shares issuable under the Plan, the shares then available shall be apportioned among Participants in proportion to the amount of payroll deductions accumulated on behalf of each Participant that would otherwise be used to purchase Common Stock on such Exercise Date.

20. Termination of the Plan. The Plan may be terminated at any time by the Board. Upon termination of the Plan, all amounts in the accounts of Participants shall be promptly refunded.

21. Governmental Regulations. The Company’s obligation to sell and deliver Common Stock under the Plan is subject to obtaining all governmental approvals required in connection with the authorization, issuance, or sale of such stock.

22. Governing Law. This Plan and all Options 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.

23. Issuance of Shares. Shares may be issued upon exercise of an Option from authorized but unissued Common Stock, from shares held in the treasury of the Company, or from any other proper source.

24. Tax Withholding. Participation in the Plan is subject to any minimum required tax withholding on income of the Participant in connection with the Plan. Each Participant agrees, by entering the Plan, that the Company and its Subsidiaries shall have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant, including shares issuable under the Plan.

25. Notification Upon Sale of Shares. Each Participant agrees, by entering the Plan, to give the Company prompt notice of any disposition of shares purchased under the Plan where such disposition occurs within two years after the date of grant of the Option pursuant to which such shares were purchased or within one year after the date such shares were purchased.

26. Effective Date and Approval of Shareholders. The Plan shall take effect on the later of the date it is adopted by the Board and the date it is approved by the holders of a majority of the votes cast at a meeting of stockholders at which a quorum is present or by written consent of the stockholders.

APPENDIX A

Designated Subsidiaries

iRobot Securities Corporation
iRobot US Holdings Inc.
iRobot Holdings LLC

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 31, 2016

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 \$918.3 million based on the last reported sale of the Common Stock on the NASDAQ Global Select Market on July 1, 2016, the last business day of the registrant's most recently completed second fiscal quarter.

As of February 14, 2017, there were 27,246,211 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 31, 2016. 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 31, 2016
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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 and its stylized logo, Roomba, Ava, Scooba, ViPR, NorthStar, Create, iAdapt, Aware, Home Base, Looj, Braava, AeroForce, Mirra, vSLAM 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. The Company's consumer robots help people find smarter ways to clean and accomplish more in their daily lives. iRobot's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in mapping, navigation, mobility and artificial intelligence. For more than 25 years, we have been a pioneer in the robotics and consumer products industries. During 2016, we continued our transformation to a global consumer robotics company with the divestiture of our defense and security business and the decision to exit the remote presence business. Our consumer robots and accessories represented 99% of our revenue in 2016. We sell our robots through a variety of distribution channels, including chain stores and other national retailers, through our on-line store, and through value-added distributors and resellers worldwide.

Since our founding, we have developed 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 positions us to capitalize on the growth we expect in the market for robot-based consumer products.

Over the past fifteen years, we have sold more than 18 million consumer robots worldwide. During 2016, we took several steps to become more focused on our well established consumer robots business to capitalize on the substantial opportunities available to us within consumer markets. First, we completed the sale of our defense and security business unit on April 4, 2016. The final purchase price, including adjustments for working capital and indebtedness, was \$24.5 million. Second, we reallocated all of the research and development resources from our remote presence business to opportunities in our consumer business during the first quarter of 2016, and decided to fully exit the remote presence business during the second quarter of 2016. These actions were taken to solidify our position as the leader in diversified consumer robots and to focus on key technologies, with an emphasis on software, that allow our robots to understand the homes in which they operate. It is our intent to continue investing in these critical technologies and the economic opportunities they unlock. Third, on November 21, 2016, we announced the signing of a definitive agreement to acquire the iRobot-related distribution business of privately-held Sales On Demand Corporation, or SODC, based in Tokyo, Japan. SODC has been iRobot's exclusive distribution partner in Japan since 2004 and is well respected by top channel partners. The purchase agreement provides that iRobot will acquire the business for a cash amount equal to the book value of the acquired assets at close, primarily inventory, currently estimated to be between \$18.0 million and \$20.0 million, subject to exchange rates in effect on the date of acquisition. The acquisition is expected to close in April 2017.

We also achieved a number of significant milestones in 2016 that we believe will assist us in continuing to generate profitable growth and enhance value for our shareholders. In particular, we successfully launched Roomba 960, our second 900 series Roomba, that extends mapping, visual navigation and cloud connectivity to a wider range of customers. We also

launched the Braava jet mopping robot, with precision jet spray and vibrating cleaning head, focused on expanding our wet floor care business. Both the Roomba 900 series and Braava jet are significantly more complex products, delivering enhanced performance enabled by software. The iRobot HOME App, compatible with both the Roomba 900 series and Braava jet, helps users get the most out of their experience by allowing them to choose the appropriate cleaning options for their unique home. We also announced a relationship with Amazon Web Services, or AWS, that we believe will enable iRobot to address significant opportunities within our consumer business and the connected home. AWS Cloud is a managed cloud solution that enables connected devices to interact easily and securely with cloud applications and other devices. The AWS Cloud will enable iRobot to scale the number of connected robots it supports globally and allow for increased capabilities in the Smart Home. Additionally, we implemented new Roomba marketing programs in the United States that resulted in a significant return on our investment and which we plan to leverage as part of our strategy to accelerate growth in international markets.

In our continuing effort to return capital to our shareholders, we repurchased 2,641,122 shares of our common stock for an aggregate purchase price of \$97.0 million during fiscal year 2016. Our program balanced our interest to return cash to shareholders while maintaining sufficient cash to operate and invest in our business.

Our total revenue for 2016 was \$660.6 million, which represents a 7.1% increase from 2015 revenue of \$616.8 million. This increase in revenue was largely attributable to an \$84.2 million increase in revenue in our U.S. consumer robots. Domestic growth was primarily due to increased sales as a result of significant investments in advertising media and national promotions as well as the strength of the Roomba 900 series and Braava jet launch. International consumer robots revenue grew by \$12.1 million in 2016 with increases in most markets, offset by a decline in China. Revenue from the defense and security business was \$3.1 million in 2016 compared to \$55.0 million in 2015 and was recognized in the first quarter of 2016, which was the quarter prior to the divestiture of the business. Our consumer robots revenue represented 99.3% of our total revenue for 2016 compared to 90.7% in 2015.

Our financial performance in 2017 will be driven by our continued transformation to a global consumer robot company. Our strategy is to maintain Roomba's leadership in the robotic vacuum cleaner segment while positioning the Company as a strategic player in the emerging Smart Home. We expect growth to be driven by:

- Accelerating worldwide consumer adoption of Roomba supported by targeted marketing programs to continue to drive demand generation;
- More direct control and execution in key international markets with the opening of a sales office in Shanghai servicing China and the announced acquisition of SODC, our Japan distribution channel;
- Building a second material revenue stream with our Braava wet floor care products; and
- Expanding the portfolio of robots with mapping capabilities and cloud connectivity at more accessible price points and positioning ourselves as an emerging player within the Smart Home.

Strategy

iRobot is a leading global consumer robot company. We design and build robots that empower people to do more both inside and outside of the home. In 2002, iRobot created the home robot cleaning category with the introduction of its Roomba vacuuming robot. Today, we are a global enterprise that has sold more than 18 million consumer robots worldwide. iRobot's success in driving adoption of connected Roomba robots has created a unique opportunity to extend consumer value in the home and expand our business. Our long term strategy is to increase the penetration of our products in existing markets, expand current products into new markets, and develop and launch new products into current and adjacent markets. As our customer base grows, iRobot plans to create an ecosystem of connected robots designed to integrate with other devices, create greater possibilities for new features and capacities and empower the Smart Home.

Global expansion is a key component of our strategy. Our relentless pursuit of product leadership, through targeted investment in key technologies and capabilities, coupled with our investments in furthering our global brand and targeted marketing initiatives, allows us to continue to maintain our leadership position in the robotic vacuum cleaner segment despite increasing competition. In the last six months, we launched iRobot China, and we expect to launch iRobot Japan in the second quarter of 2017 following the acquisition of our Japanese distributor's iRobot-related business. These two new offices of iRobot will add more than 100 new iRobot employees to our global employee base.

To successfully execute our 2017 plan and drive revenue diversification and accelerated growth beyond 2017, we will plan to make significant investments in our business during the year. These investments are expected to help iRobot achieve the following goals:

- Continue to strengthen our marketing capabilities globally and accelerate worldwide consumer adoption of Roomba to maintain our market-leading position in robotic vacuum cleaners;
- Better position ourselves in China to capture an even larger share of the rapidly growing market for robotic floor care;
- Develop our wet floor care business to generate a material, secondary revenue stream;
- Scale our infrastructure to support global operations and connected products;
- Explore, develop and grow adjacent non-floor care consumer robot products that can generate meaningful diversified revenue streams; and
- Make continued operational improvements that can reduce product and operating costs.

Key pillars of our strategy include:

Technology: As a leading global consumer robotics company, iRobot must develop and maintain best-in-class technology in the areas of mapping and navigation, mobility and artificial intelligence. We are focused on advancing each of these areas through internal technology and product development initiatives, and by building strategic external partnerships.

Brand: In 2016, iRobot rolled out a new logo, mark and brand language to signify the partnership between man and machine and globalize the brand. To meet our goal of a consistent brand experience in every region, we plan to expand our presence globally by taking more direct control of marketing programs and the customer experience in key targeted markets.

Portfolio: Our strategy includes building a portfolio of investments to diversify across markets and delivering a steady progression of innovation over time. In 2016, we introduced the Roomba 960, extending mapping, visual navigation and cloud connectivity to a wider range of consumers. We also further diversified iRobot's consumer product lineup and introduced the Braava jet mopping robot. In the years ahead, we plan to add new product solutions for the home.

Talent: Our employees are the most important driver of who we are. Our success, diversity and reputation as developers of great talent make us an attractive employer to the top talent all over the world. We aim to be the first choice for the most talented people in all facets of our business, from product development to interacting with our global customers and operations.

Technology

In 2016, iRobot narrowed its focus to the consumer market and made increased, but disciplined investments in advancing mapping and navigation, user interaction including cloud and app development and cleaning efficacy. From the launch of Braava jet, to the introduction of a lower cost Visual Simultaneous Localization and Mapping, or vSLAM, solution in Roomba 960, these strategic investments in technology had an immediate impact on product diversification, performance and market expansion. In 2017, we will continue to develop solutions that advance our connected and digital product pipeline while leveraging and supporting our global scale.

In 2016, we improved and advanced our vSLAM solution, and have successfully introduced vSLAM at a lower price point in the Roomba 960. We plan to continue advancing our pipeline of follow-on capabilities that both increase functionality and expand the reach of our mapping and navigation solutions to lower-cost products and additional product lines. In 2017, we expect our mapping and navigation solutions will extend to more products globally and that we will see our robots' maps presented directly to our customers through the launch of post-mission cleaning maps. We believe the improved performance of our connected robots, and the data sourced from our maps, will accelerate new product development and digital partnerships for the Smart Home.

We plan to continue to leverage opportunities, enabled by our growing connected product portfolio, to invest in developing technologies and interfaces for our products to provide a convenient and personalized user experience. At the foundation of our effort in 2016 to drive enhanced user experience was the deployment of our new connectivity and cloud infrastructure through AWS. We made this investment to enable us to scale our connected products globally, with increased

access to valuable cloud services and applications to support future product features, and connect to other devices in the Smart Home.

From robotic vacuum cleaning to mopping, we are dedicated to developing market-leading solutions which provide compelling value to customers worldwide. From our customer's perspective, the core value of our robots is the ability to efficiently and effectively perform a physical mission - the task that the robot was purchased for initially. In 2016, iRobot expanded its product portfolio with the launch of the Braava jet mopping robot. This new product category created additional international growth opportunities, especially in Asia. To maintain our leadership position in consumer robotics, it is important that we continue to design and produce high-quality robotic solutions, whether it is vacuuming, mopping or other new robotic solutions for the home.

Products

Historically, we have designed and marketed robots for both the consumer and defense and security markets. Following completion of the divestiture of our defense and security business unit on April 4, 2016, we are now focusing solely on the consumer market. With over two decades of leadership in the robot industry, we remain committed to creating robots that empower people to do more.

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. In order to ensure the continued acceptance of our robots we will continue to invest in technology necessary to further improve their capabilities.

We currently offer multiple Roomba floor vacuuming robots with varying price points ranging from \$375 to \$899 based upon features and performance characteristics. Roomba's design 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.

In August 2016, we launched our newest robot in the 900 series, Roomba 960, which followed the launch of Roomba 980 in the fourth quarter of 2015. Roomba 960 helps keep floors cleaner throughout the entire home with intelligent visual navigation, iRobot HOME App control with wireless connectivity, and 5x the suction power over previous generation Roomba vacuum cleaners. In addition to these highest-feature products, our lineup also includes the 800 series, 700 series and 600 series robots. The Roomba 800 series robots offer our AEROForce technology which incorporates brushless, counter-rotating extractors that amplify suction for superior performance over bristle brushes, while requiring less maintenance than previous Roomba models. 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 air filters that capture dust particles as fine as 0.3 microns. 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.

We currently offer the Braava family of automatic floor mopping robots designed exclusively for hard surface floors. These robots provide a different cleaning approach than our Roomba products. The Braava robot, priced at \$299, 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 March 2016, we launched the next generation mopping robot with the Braava jet, priced at \$199. The Braava jet works with Braava jet Cleaning Pads to tackle a range of hard floor cleaning jobs, from wet mopping and damp sweeping to simple dusting. The iRobot HOME App is now also compatible with Braava jet and helps users get the most out of their experience by allowing them to choose the appropriate cleaning options for their unique home.

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.

Defense and Security Products

As noted above, we completed the divestiture of our defense and security business unit on April 4, 2016. Prior to this divestiture, we developed and delivered unmanned tactical ground robots in defense and security product markets. As of April 4, 2016, we no longer develop or sell defense and security products.

Remote Presence Products

During the second quarter of 2016, we decided to fully exit the remote presence business. We had two products based upon our Ava mobile robotics platform. Our final shipment of these products occurred in the fourth quarter of 2016.

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.

Sales and Distribution Channels

We sell our consumer products through distributor and retail sales channels, as well as our on-line store. Prior to the divestiture of the defense and security business, we sold these products through distributors and directly to end users. For the fiscal years ended December 31, 2016, January 2, 2016, and December 27, 2014, sales to non-U.S. customers accounted for 51.2%, 56.0%, and 60.9% of total revenue, respectively. For the years ended December 31, 2016, January 2, 2016, and December 27, 2014, we generated an aggregate of 25.2%, 26.0%, and 29.8% of our revenue, respectively, from our consumer robots distributor in Japan (Sales on Demand Corporation) and a network of affiliated European distributors of our consumer robots (Robopolis SAS). For the year ended December 31, 2016, we generated 10.4% of total revenue from one of our domestic retailers (Amazon).

Consumer

In the United States and Canada, we sell our consumer products primarily through a network of national retailers. In 2016, this network consisted of approximately 60 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 5.1%, 6.1% and 6.1% of total consumer robots business unit revenue for fiscal 2016, 2015 and 2014, 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

As noted above, we completed the divestiture of our defense and security business unit during the second quarter of 2016. We sold our defense and security products directly to end users and indirectly through prime contractors and distributors. While the majority of defense and security products were sold to various operations within the U.S. federal government, we also sold to state and local agencies as well as to international government organizations, research labs, nuclear and industrial companies and universities.

Remote Presence

As noted above, in the second quarter of 2016, we made the decision to fully exit our remote presence business. Our final shipment of these products occurred in the fourth quarter of 2016. The RP-VITA telemedicine robot, which was jointly developed with InTouch Health and incorporates our Ava mobile robotics platform, was sold to healthcare customers by InTouch Health. Our Ava 500 Video Collaboration robot, which incorporates our Ava mobile robotics platform and Cisco's TelePresence, was 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. Customer service for the RP-VITA product is provided by InTouch Health. Customer service for the Ava 500 is provided by a third party through an agreement with iRobot.

Marketing and Brand

We market our consumer robots to end-user customers through our sales and marketing teams as well as through our extensive network of retailers and in-country distributors. 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 17.4%, 15.9% and 15.5% of our total revenue in 2016, 2015 and 2014, 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 various forms of 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 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 our robots at a single plant in China.

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 31, 2016, January 2, 2016 and December 27, 2014, our research and development expenses were \$79.8 million, \$76.1 million and \$69.4 million, or 12.1%, 12.3% and 12.5% 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.

While we believe many of our customers purchase our Roomba floor vacuuming robots and Braava mopping 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 part of the sale of our defense and security business, we transferred to the buyer ownership of certain of our intellectual property related to the defense and security business, including patents, patent applications and trademarks.

As of December 31, 2016, we held 368 U.S. patents, more than 550 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 and its stylized logo, Roomba, Ava, Scooba, ViPR, NorthStar, Create, iAdapt, Aware, Home Base, Looj, Braava, AeroForce, Mirra, vSLAM and Virtual Wall. Our marks iRobot, Roomba, Braava, 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

Our business requires compliance with a variety of laws and regulations in the United States and abroad regarding privacy, data protection, and data security. In particular, we are subject to numerous U.S. federal, state, and local laws and regulations and foreign laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal information and other user data. In addition, the global nature of our business operations also creates various domestic and foreign regulatory challenges and subject us to laws and regulations such as the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions, and our products are also subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls.

Prior to our divestiture of the defense and security business unit on April 4, 2016, we were subject to various government regulations, including various U.S. federal government regulations as a contractor and subcontractor to the U.S. federal government. We continue to remain subject to certain of these regulations only as they pertain to matters related to our operation of the defense and security business unit prior to our completion of the sale of this business.

Employees

As of December 31, 2016, we had 607 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.

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. 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 market;
- attract and retain customers of our consumer robots;
- attract and retain additional engineers and other highly-qualified personnel; and
- expand our product offerings beyond our existing robots.

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 distributors for our consumer robots;
- 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 products;
- the timing of new product introductions;
- 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; and
- warranty costs associated with our consumer products.

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. 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, China 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.

In addition, on November 21, 2016, we entered into an agreement with Sales On Demand Corporation, or SODC, a privately-held corporation based in Tokyo, Japan, to acquire SODC's iRobot distribution business. This acquisition is expected to close in April 2017. As a result of our planned integration of distribution operations in Japan and the corresponding higher exit costs in the market, a significant decrease in demand for our products in Japan could have a detrimental impact on our financial condition.

Because we are a global business that in the years ended December 31, 2016, January 2, 2016 and December 27, 2014 generated approximately 51.2%, 56.0% and 60.9%, respectively, 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.

Our business currently depends solely 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 31, 2016, January 2, 2016, and December 27, 2014, we derived 99.3%, 90.7%, and 91.1% of our total revenue from our consumer robots, respectively. For the foreseeable future, we expect that our revenue will be derived solely 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 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 certain of our products. All contract manufacturers for our current 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
- risks that 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.

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 prior to delivery, 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, restructuring, 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 consumer robot sales.

We spend significant amounts on advertising and other marketing campaigns, which may not be successful or cost effective.

We spend significant amounts on advertising and other marketing campaigns, such as television, print advertising, and social media, as well as increased promotional activities, to acquire new customers, and we expect our marketing expenses to increase in the future as we continue to spend significant amounts to increase awareness of our consumer robot products. For the years ended December 31, 2016, January 2, 2016, and December 27, 2014, sales and marketing expenses were \$115.1 million, \$97.8 million, and \$86.1 million, respectively, representing approximately 17.4%, 15.9%, and 15.5% of our revenue, respectively. While we seek to structure our advertising campaigns in the manner that we believe is most likely to encourage people to purchase our products, we may fail to identify advertising opportunities that satisfy our anticipated return on advertising spend as we scale our investments in marketing or to fully understand or estimate the conditions and behaviors that drive customer behavior. If any of our advertising campaigns prove less successful than anticipated in attracting customers, we may not be able to recover our advertising spend, and our revenue may fail to meet market expectations, either of which could have an adverse effect on our business. There can be no assurance that our advertising and other marketing efforts will result in increased sales of our products.

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.

A number of companies have developed or are developing robots that will compete directly with our product offerings. 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.

The global 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. 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.

We collect, store, process, and use customer data, including certain personal and robot-specific information, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business.

Our latest Roomba products, as well as additional products in development, collect, store, process, and use certain customer data, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and any security breaches or our actual or perceived failure to comply with such legal obligations could harm our business. We collect, store, process, and use personal information and other user data, and we rely on third parties that are not directly under our control to do so as well. If our security measures, some of which are managed by third parties, are breached or fail, unauthorized persons may be able to obtain access to or acquire sensitive user data, which may expose us to a risk of loss, litigation, or regulatory proceedings. Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to or acquisition of our user data, we may also have obligations to notify users about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident. A growing number of legislative and regulatory bodies have adopted consumer notification requirements in the event of unauthorized access to or acquisition of certain types of personal data. Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises user data.

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 and engineers with expertise in artificial intelligence, machine learning and cloud applications. 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.

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. 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.

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 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. Maintaining, protecting, and enhancing our brand may require us to make substantial investments, and these investments may not be successful. If we fail to successfully maintain, promote, and position our brand and protect our reputation, or if we incur significant expenses in this effort, our business, financial condition and operating results may be adversely affected.

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

Efforts to expand our product offerings beyond the consumer market, 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.

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. 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 a variety of U.S. and foreign laws and regulations that are central to our business; our failure to comply with these laws and regulations could harm our business or our operating results.

We are or may become subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations regarding consumer protection, advertising, electronic commerce, intellectual property, manufacturing, anti-bribery and anti-corruption, and economic or other trade prohibitions or sanctions.

The increasingly global nature of our business operations subjects us to domestic and foreign laws and regulations such as the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act, and similar anti-bribery and anti-corruption laws in other jurisdictions. Our products are also subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls. If we incur liability for noncompliance under these laws or regulations, we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products or services, which would negatively affect our business, financial condition, and operating results.

In addition, any negative publicity directed to us as a result of lawsuits, regulatory proceedings, and legislative proposals could harm our brand or otherwise impact the growth of our business. Any costs incurred as a result of compliance efforts or other liabilities under these laws or regulations could harm our business and operating results.

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. For example, on November 21, 2016, we entered into an agreement with Sales On Demand Corporation, a privately-held corporation based in Tokyo, Japan, to acquire its iRobot distribution business. This transaction is expected to close in April 2017.

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 technology 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.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber attacks such as viruses and worms, phishing attacks, denial-of-service attacks, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, and loss of consumer confidence. In addition, we may be the target of email scams that attempt to acquire sensitive information or company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber attack that attempts to obtain our data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation.

If we suffer 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. 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.

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 31, 2016, January 2, 2016, and December 27, 2014, sales to non-U.S. customers accounted for 51.2%, 56.0% and 60.9% 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.

Moreover, the United Kingdom (UK) held a referendum on June 23, 2016 in which a majority of voters voted to exit the European Union (EU). Due to the unprecedented nature of the proposed withdrawal, significant uncertainty exists surrounding the timing and terms of the proposed exit. We have operations in the UK and business activities in several EU member states whose currencies, namely British Pound Sterling and Euro, economies, taxation, and trade regulation, among other factors, could be adversely impacted by the negotiations and outcomes of the UK's leaving the EU, which is likely to be a lengthy and complicated process. While we do not anticipate near term adverse effects on business operations, these events could have a material adverse effect on our business operations, results of operations and financial condition over time.

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.

The effects of 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 require companies to research, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. 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 continue to 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 a tax authority will take a final 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 a valuation allowance in future reporting periods. Our results of operations would be impacted negatively if we determine that a deferred tax asset valuation allowance is required in a future reporting period.

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

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

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

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

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.

If significant tariffs or other restrictions are placed on Chinese imports or any related counter-measures are taken by China, our revenues and results of operations may be materially harmed.

The current U.S. administration has signaled it may alter trade agreements and terms between China and the United States, including limiting trade with China and/or imposing a tariff on imports from China. If any such restrictions or tariffs are imposed on products that we import to our customers, we would be required to raise our prices which may result in the loss of customers and harm our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Bedford, Massachusetts, where we lease approximately 203,000 square feet. This lease expires on May 1, 2020. We lease smaller facilities in Hong Kong; Guangzhou and Shanghai, 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 Select 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 Select Market.

	High	Low
Fiscal 2015:		
First quarter	\$ 35.27	\$ 28.05
Second quarter	\$ 34.93	\$ 31.61
Third quarter	\$ 33.27	\$ 27.55
Fourth quarter	\$ 37.71	\$ 28.27
Fiscal 2016:		
First quarter	\$ 36.00	\$ 28.02
Second quarter	\$ 39.00	\$ 33.90
Third quarter	\$ 44.67	\$ 34.27
Fourth quarter	\$ 60.86	\$ 42.06

As of February 14, 2017, there were approximately 27,246,211 shares of our common stock outstanding held by approximately 143 stockholders of record and the last reported sale price of our common stock on the NASDAQ Global Select Market on February 14, 2017 was \$54.87 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 31, 2016:

Period	(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 October 2, 2016 and ended October 29, 2016	7,542	\$ 37.49	7,542	—
Fiscal month beginning October 30, 2016 and ended November 26, 2016	—	—	—	—
Fiscal month beginning November 27, 2016 and ended December 31, 2016	—	—	—	—
Total	7,542	\$ 37.49	7,542	—

- (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 March 1, 2016, we entered into an accelerated share repurchase (ASR) agreement with J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch (JPMorgan), to repurchase an aggregate of \$85.0 million of our common stock. Pursuant to the ASR agreement, we paid JPMorgan \$85.0 million in April 2016 and received an initial delivery of 1,900,862 shares of our common stock. In September 2016, the ASR reached its scheduled termination and we received an additional 359,000 shares with the final delivery of 7,542 in October 2016. Total shares received under the plan were 2,267,404.

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 31, 2016 and January 2, 2016 and for the years ended December 31, 2016, January 2, 2016 and December 27, 2014 are derived from financial statements, which have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Consolidated balance sheets as of December 31, 2016 and January 2, 2016 and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2016 and notes thereto appear elsewhere in this Annual Report on Form 10-K. The selected historical financial data as of December 27, 2014, December 28, 2013 and December 29, 2012 and for the years ended December 28, 2013 and December 29, 2012 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 2016, 2015, 2014 and 2013 presentation for comparability purposes. The following selected consolidated financial data reflects the reclassified amounts for the year ended December 29, 2012.

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 31, 2016	January 2, 2016	December 27, 2014	December 28, 2013	December 29, 2012
(In thousands, except earnings per share amounts)					
Consolidated Statements of Income:					
Revenue	\$ 660,604	\$ 616,778	\$ 556,846	\$ 487,401	\$ 436,244
Cost of revenue	341,289	327,852	298,791	266,247	241,896
Gross margin	319,315	288,926	258,055	221,154	194,348
Operating expenses					
Research and development	79,805	76,071	69,408	63,649	57,066
Selling and marketing	115,125	97,772	86,091	71,529	66,412
General and administrative	66,828	54,465	49,439	53,358	45,698
Total operating expenses	261,758	228,308	204,938	188,536	169,176
Operating income	57,557	60,618	53,117	32,618	25,172
Net income	\$ 41,939	\$ 44,130	\$ 37,803	\$ 27,641	\$ 17,297
Net income per common share basic	\$ 1.51	\$ 1.49	\$ 1.28	\$ 0.97	\$ 0.63
Diluted	\$ 1.48	\$ 1.47	\$ 1.25	\$ 0.94	\$ 0.61
Shares used in per common share calculations					
Basic	27,698	29,550	29,485	28,495	27,577
Diluted	28,292	30,107	30,210	29,354	28,301

	December 31, 2016	January 2, 2016	December 27, 2014	December 28, 2013	December 29, 2012
(In thousands)					
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 214,523	\$ 179,915	\$ 185,957	\$ 165,404	\$ 126,770
Short term investments	39,930	33,124	36,166	21,954	12,430
Total assets	507,912	521,743	493,213	416,337	354,313
Total liabilities	118,956	104,332	102,777	85,648	78,496
Total stockholders' equity	388,956	417,411	390,436	330,689	275,817

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 and Braava products, our consumer robots, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, revenue recognition, our profits, growth of our revenues, composition of our revenues, our cost of revenues, units shipped, average selling prices, 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. The company's consumer robots help people find smarter ways to clean and accomplish more in their daily lives. iRobot's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in navigation, mobility, manipulation and artificial intelligence. For more than 25 years, we have been a pioneer in the robotics and consumer products industries. During 2016, we continued our transformation to a global consumer robotics company with the divestiture of our defense and security business and the decision to exit the remote presence business. Our consumer robots and accessories represented 99% of our revenue in 2016. We sell our robots through a variety of distribution channels, including chain stores and other national retailers, through our on-line store, and through value-added distributors and resellers worldwide.

Over the past fifteen years, we have sold more than 18 million consumer robots worldwide. During 2016, we took several steps to become more focused on our well established consumer robots business to capitalize on the substantial opportunities available to us within consumer markets. First, we completed the sale of our defense and security business unit on April 4, 2016. The final purchase price, including adjustments for working capital and indebtedness, was \$24.5 million. Second, we reallocated all of the research and development resources from our remote presence business to opportunities in our consumer business during the first quarter of 2016, and decided to fully exit the remote presence business during the second quarter of 2016. These actions were taken to solidify our position as the leader in diversified consumer robots and to focus on

key technologies, with an emphasis on software, that allow our robots to understand the homes in which they operate. It is our intent to continue investing in these critical technologies and the economic opportunities they unlock. Third, on November 21, 2016, we announced the signing of a definitive agreement to acquire the iRobot-related distribution business of privately-held Sales On Demand Corporation, or SODC, based in Tokyo, Japan. SODC has been iRobot's exclusive distribution partner in Japan since 2004 and is well respected by top channel partners. iRobot will acquire the business for a cash amount equal to the book value of the acquired assets at close, primarily inventory, currently estimated to be between \$18.0 million and \$20.0 million, subject to exchange rates in effect on the date of acquisition. The acquisition is expected to close in April 2017.

As of December 31, 2016, we had 607 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 positions us to capitalize on the expected growth in the market for robot-based products.

Although we have successfully launched consumer 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 market competition, and our ability to successfully develop and introduce products and product enhancements into both new and existing markets.

During 2016, we launched Roomba 960, our second 900 series Roomba, that extends mapping, visual navigation and cloud connectivity to a wider range of customers. We also launched the Braava jet mopping robot, with precision jet spray and vibrating cleaning head, focused on expanding our wet floor care business. Both the Roomba 900 series and Braava jet are significantly more complex products, delivering enhanced performance enabled by software. The iRobot HOME App, compatible with both the Roomba 900 series and Braava jet, helps users get the most out of their experience by allowing them to choose the appropriate cleaning options for their unique home. We also announced a relationship with Amazon Web Services, or AWS, that we believe will enable iRobot to address significant opportunities within our consumer business and the connected home. AWS Cloud is a managed cloud solution that enables connected devices to interact easily and securely with cloud applications and other devices. The AWS Cloud will enable iRobot to scale the number of connected robots it supports globally and allow for increased capabilities in the Smart Home.

Our total revenue for 2016 was \$660.6 million, which represents a 7.1% increase from 2015 revenue of \$616.8 million. This increase in revenue was largely attributable to an \$84.2 million increase in revenue in our U.S. consumer robots. Domestic growth was primarily due to increased sales as a result of significant investments in advertising media and national promotions as well as the strength of the Roomba 900 series and Braava jet launch. International consumer robots revenue grew by \$12.0 million in 2016 with increases in most markets, offset by a decline in China. Revenue from the defense and security business was \$3.1 million in 2016 compared to \$55.0 million in 2015 and was isolated to the first quarter of 2016, which was the quarter prior to the divestiture of the business. Our consumer robots revenue represented 99.3% of our total revenue for 2016 compared to 90.7% in 2015. During 2016, we recorded a net benefit to revenue and income before income taxes of \$3.5 million related to adjustments to our product returns reserves compared to a net benefit to revenue and income before income taxes of \$6.9 million during fiscal 2015. The adjustments recorded in fiscal 2016 and 2015 resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods, resulting from continued improvements in product quality, especially in our most recently released products.

Our total revenue for 2015 was \$616.8 million, which represents an 11% increase from 2014 revenue of \$556.8 million. This increase in revenue was largely attributable to a \$52.2 million increase in revenue in our consumer robots business as a direct result of growth in our domestic market. Domestic growth was primarily attributable to increased sales as a result of significant media investments as well as the launch of Roomba 980. International consumer robots revenue growth slowed compared to fiscal 2014 as a result of negative macroeconomic conditions, specifically in Japan and Russia, offset by a significant growth increase in China. Revenue increased \$9.5 million in our defense and security business as compared to 2014, primarily attributable to increased sales of our SUGV robot. During 2015, we recorded a net benefit to revenue and income before income taxes of \$6.9 million related to adjustments to our product returns reserves compared to a net benefit to revenue and income before income taxes of \$4.3 million and \$5.7 million during fiscal 2014. The adjustments recorded in each of these periods resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods,

resulting from continued improvements in product quality, especially in our most recently released products. Our consumer robots revenue represented 91% of our total revenue for both 2015 and 2014.

Revenue

We currently derive revenue from product sales. Until the divestiture of the defense and security business unit on April 4, 2016, we also generated minimal revenue from government and commercial research and development contracts.

For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, product revenue accounted for 100.0%, 99.8% and 99.2% of total revenue, respectively.

For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, approximately 72.8%, 76.6% and 75.7%, respectively, of our consumer robot 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 5.1%, 6.1% and 6.1% of our consumer robot product revenue for the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, 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 31, 2016, January 2, 2016 and December 27, 2014, sales to non-U.S. customers accounted for 51.2%, 56.0% and 60.9% of total revenue, respectively.

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. During 2016, we recorded a net benefit to revenue and income before income taxes of \$3.5 million related to adjustments to our product returns reserves compared to a net benefit to revenue and income before income taxes of \$6.9 million during fiscal 2015. The net adjustments recorded in 2016 and 2015 resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods.

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 31, 2016, January 2, 2016 and December 27, 2014, total cost of revenue was 51.7%, 53.2% and 53.7% 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 consumer 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 consumer 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 31, 2016, January 2, 2016 and December 27, 2014, gross margin was 48.3%, 46.8% and 46.3% 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 markets as well as new markets for robots. 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 31, 2016, January 2, 2016 and December 27, 2014, research and development expense was \$79.8 million, \$76.1 million and \$69.4 million, or 12.1%, 12.3% and 12.5% of total revenue, respectively.

Selling, Marketing, General and Administrative Expenses

Our selling, marketing, 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 in 2017, selling, marketing, general and administrative expenses will increase in absolute dollars and as a percentage of revenue and will, for the foreseeable future thereafter, continue to increase in absolute dollars but remain relatively consistent, or decrease slightly, as a percentage of revenue, as we continue to build the iRobot brand.

For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014 selling, marketing, general and administrative expense was \$182.0 million, \$152.2 million and \$135.5 million, or 27.5%, 24.7% and 24.3% 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 primarily derive our revenue from product sales. Until the divestiture of the defense and security business unit on April 4, 2016 (see Note 15), we also generated minimal revenue from 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 and allowances, provided that collection is determined to be reasonably assured and no significant obligations remain.

Beginning in the third quarter of 2015, with the introduction of our first connected robot, each sale of a connected robot represents a multi-element arrangement containing the robot, an app and potential future unspecified software upgrades. Revenue is allocated to the deliverables based on their relative selling prices which have been determined using best estimate of selling price (BESP), as we have not been able to establish vendor specific objective evidence (VSOE) or obtain relevant third party evidence (TPE). Revenue allocated to the app and unspecified software upgrades is then deferred and recognized on a straight-line basis over the period in which we expect to provide the upgrades over the estimated life of the robot.

Sales to domestic and Canadian resellers of consumer 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 its on-line stores, one domestic distributor and one international distributor. 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 customer 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 return 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 customer 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 agreement is modified. Except for the one international distributor noted above, 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. In 2016, we began selling to one domestic distributor under an agreement that provides product return privileges. As a result, we recognize revenue from sales to this distributor when the product is resold by the distributor. 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.

Prior to our divestiture of the defense and security business unit on April 4, 2016 (see Note 15), we generated minimal revenue from government contracts. Under cost-plus-fixed-fee (CPFF) type contracts, we recognized revenue based on costs incurred plus a pro rata portion of the total fixed fee. Costs incurred included labor and material that were directly associated with individual CPFF contracts plus indirect overhead and general and administrative type costs based upon billing rates we submitted to the Defense Contract Management Agency (DCMA). Annually, we submit 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 used, 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 31, 2016, fiscal year 2015 is open for audit by DCAA. In the situation where our anticipated actual billing rates will be lower than the provisional rates used, we record a cumulative revenue adjustment in the period in which the rate differential is identified. Revenue on firm fixed price (FFP) contracts was recognized using the percentage-of-completion method. For government product FFP contracts, revenue was recognized as the product was shipped or in accordance with the contract terms. Costs and estimated gross margins on contracts were recorded as revenue as work was performed based on the percentage that incurred costs compared to estimated total costs utilizing the most recent estimates of costs and funding. Revenue earned in excess of billings, if any, was recorded as unbilled revenue. Billings in excess of revenue earned, if any, were recorded as deferred revenue.

Accounting for Stock-Based Awards

We recognized \$3.2 million of stock-based compensation expense during the fiscal year ended December 31, 2016 for stock options. The unamortized fair value as of December 31, 2016 associated with these grants was \$6.8 million with a weighted-average remaining recognition period of 2.85 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 31, 2016 was \$12.88.

During the fiscal year ended December 31, 2016, we recognized \$12.8 million of stock-based compensation associated with restricted stock units. Unamortized expense associated with restricted stock units at December 31, 2016, was \$28.9 million with a weighted-average remaining recognition period of 2.44 years.

We have assumed a forfeiture rate for all stock options and restricted stock-based units based on our historical data. 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 the Internal Revenue Service is closed for fiscal years prior to 2013. The statute of limitations for examinations by state tax authorities is closed for fiscal years prior to 2012. Federal carryforward attributes that were generated prior to fiscal year 2013 and state carryforward attributes that were generated prior to fiscal year 2012 may still be adjusted upon examination by the federal 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 tax 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. 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. As of December 31, 2016, we did not record a valuation allowance as all deferred tax assets are considered realizable.

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 remote presence robots and defense and security spares, which historically had 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.

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. We evaluate goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) annually or more frequently if we believe indicators of impairment exist. In accordance with guidance, we are 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 we conclude 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, we perform 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. We complete the annual impairment evaluation during the fourth quarter each year.

Overview of Results of Operations

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

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Revenue	\$ 660,604	\$ 616,778	\$ 556,846
Cost of revenue (1)	341,289	327,852	298,791
Gross margin	319,315	288,926	258,055
Operating expenses			
Research and development (1)	79,805	76,071	69,408
Selling and marketing (1)	115,125	97,772	86,091
General and administrative (1)	66,828	54,465	49,439
Total operating expenses	261,758	228,308	204,938
Operating income	57,557	60,618	53,117
Other income (expense), net	3,804	2,353	(708)
Income before income taxes	61,361	62,971	52,409
Income tax expense	19,422	18,841	14,606
Net income	\$ 41,939	\$ 44,130	\$ 37,803

(1) Stock-based compensation recorded in fiscal 2016, 2015 and 2014 breaks down by expense classification as follows.

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Cost of revenue	\$ 760	\$ 1,076	\$ 865
Research and development	3,646	3,256	3,359
Selling and marketing	2,008	1,457	1,296
General and administrative	9,581	8,394	8,258

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

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
Revenue	100.0%	100.0%	100.0%
Cost of revenue	51.7	53.2	53.7
Gross margin	48.3	46.8	46.3
Operating expenses			
Research and development	12.1	12.3	12.5
Selling and marketing	17.4	15.9	15.5
General and administrative	10.1	8.8	8.9
Total operating expenses	39.6	37.0	36.9
Operating income	8.7	9.8	9.4
Other income (expense), net	0.5	0.5	(0.1)
Income before income taxes	9.2	10.3	9.3
Income tax expense	2.9	3.1	2.6
Net income	6.3%	7.2%	6.7%

Comparison of Years Ended December 31, 2016 and January 2, 2016

Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Total Revenue	\$ 660,604	\$ 616,778	\$ 43,826	7.1%

Our revenue increased 7.1% to \$660.6 million in fiscal 2016 from \$616.8 million in fiscal 2015. Revenue increased approximately \$96.2 million, or 17.2%, in our consumer business while revenue decreased \$51.9 million in our defense and security business as a result of the sale of our defense and security business unit on April 4, 2016.

The \$96.2 million increase in revenue from our consumer business was driven by a 20.8% increase in units shipped, partially offset by a 0.8% decrease in net average selling price. In fiscal 2016, domestic consumer revenue increased \$84.2 million, or 35.8%, and international consumer revenue increased \$12.0 million, or 3.7%, compared to fiscal 2015. Total consumer robots shipped in fiscal 2016 were approximately 2,943,000 units compared to approximately 2,436,000 units in fiscal 2015. The increase in domestic consumer robots revenue was primarily attributable to increased sales as a result of significant investments in advertising media and national promotions as well as increased sales of the Roomba 900 series robots. Roomba 980 launched in late 2015, with a full year of revenue included in fiscal 2016. Roomba 960 was introduced in the third quarter of 2016. International consumer robots revenue grew 3.7% primarily due to our execution of successful marketing programs in those markets, as well as stronger overseas economies. During 2016, we recorded a net benefit to revenue and income before income taxes of \$3.5 million related to adjustments to our product returns reserves compared to a net benefit to revenue and income before income taxes of \$6.9 million during fiscal 2015. The net adjustments recorded in each period resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods. Partially offsetting these items in 2016 was a net reduction to revenue and income before income taxes of \$6.4 million for pricing support to customers in response to changing market conditions.

Cost of Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Total cost of revenue	\$ 341,289	\$ 327,852	\$ 13,437	4.1%
As a percentage of total revenue	51.7%	53.2%		

Total cost of revenue increased \$13.4 million, or 4.1% to \$341.3 million in fiscal 2016, compared to \$327.9 million in fiscal 2015. The increase is primarily due to the 7.1% increase in revenue and increased costs associated with assuming warranty liability in China as part of our strategy in that market.

Gross Margin

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Total gross margin	\$ 319,315	\$ 288,926	\$ 30,389	10.5%
As a percentage of total revenue	48.3%	46.8%		

Gross margin increased \$30.4 million, or 10.5%, to \$319.3 million (48.3% of revenue) in fiscal 2016 from \$288.9 million (46.8% of revenue) in fiscal 2015. The increase in gross margin as a percentage of revenue was primarily driven by favorable product and region mix in the consumer robots business as well as the success of the higher margin Roomba 900 series robots. These increases were partially offset by pricing support to customers in response to changing market conditions as well as increased warranty costs. During 2016, we recorded a net benefit to revenue and gross margin of \$3.5 million related to

adjustments to our product returns reserves compared to a net benefit to revenue and gross margin of \$6.9 million during fiscal 2015.

Research and Development

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Total research and development	\$ 79,805	\$ 76,071	\$ 3,734	4.9%
As a percentage of total revenue	12.1%	12.3%		

Research and development expenses increased \$3.7 million, or 4.9%, to \$79.8 million (12.1% of revenue) in fiscal 2016 from \$76.1 million (12.3% of revenue) in fiscal 2015. This increase is attributable to increased efforts in product development and continued product enhancements. During 2016, people and program related costs increased \$12.0 million compared to 2015. This increase was partially offset by decreases related to defense and security and remote presence headcount and program spend of approximately \$6.2 million and \$2.1 million, respectively, compared to 2015.

Selling and Marketing

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Total selling and marketing	\$ 115,125	\$ 97,772	\$ 17,353	17.7%
As a percentage of total revenue	17.4%	15.9%		

Selling and marketing expenses increased by \$17.4 million, or 17.7%, to \$115.1 million (17.4% of revenue) in fiscal 2016 from \$97.8 million (15.9% of revenue) in fiscal 2015. This increase is primarily attributable to increases of \$12.1 million in investments in advertising media, national promotions and other selling and marketing costs incurred to support our continued global marketing and branding efforts and approximately \$5.1 million associated with the go-to market transition in China.

General and Administrative

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
General and administrative	\$ 66,828	\$ 54,465	\$ 12,363	22.7%
As a percentage of total revenue	10.1%	8.8%		

General and administrative expenses increased by \$12.4 million, or 22.7%, to \$66.8 million (10.1% of revenue) in fiscal 2016 from \$54.5 million (8.8% of revenue) in fiscal 2015. This increase is primarily attributable to increases of \$7.8 million in people-related costs, \$2.7 million in legal, advisory and other consulting costs associated with the proxy contest initiated by Red Mountain Capital Partners, \$1.1 million in legal costs related to patent litigation and \$0.9 million related to investments in enterprise hardware and software maintenance, support, and services.

Other Income, Net

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Other income, net	\$ 3,804	\$ 2,353	\$ 1,451	61.7%
As a percentage of total revenue	0.5%	0.5%		

Other income, net, amounted to \$3.8 million and \$2.4 million for fiscal 2016 and fiscal 2015, respectively. Other income, net, for fiscal 2016 consisted of income related to an equity method investment of approximately \$1.4 million, defense and security business transition services income of \$1.2 million, a gain on sale of a cost method investment of approximately \$0.6 million, a gain on the sale of the defense and security business unit of \$0.4 million, as well as interest income, partially offset by impairment on a cost method investment of approximately \$0.1 million and foreign currency exchange losses. During fiscal 2015, we recorded a gain of approximately \$3.3 million related to the sale of a cost method investment, which was partially offset primarily by foreign currency exchange losses.

Income Tax Provision

	Fiscal Year Ended		Dollar Change	Percent Change
	December 31, 2016	January 2, 2016		
	(In thousands)			
Income tax provision	\$ 19,422	\$ 18,841	\$ 581	3.1%
As a percentage of pre-tax income	31.7%	29.9%		

We recorded an income tax provision of \$19.4 million and \$18.8 million for fiscal 2016 and fiscal 2015, respectively. The \$19.4 million income tax provision for fiscal 2016 was based upon a 2016 effective income tax rate of 31.7%. The \$18.8 million income tax provision for fiscal 2015 was based upon a 2015 effective income tax rate of 31.3% reduced by a net income tax benefit of \$0.9 million primarily resulting from an increase in federal and state tax credits upon filing the 2014 tax returns during 2015.

The federal research and development tax credit expired at the end of 2014. In December 2015, legislation was enacted that included the permanent extension of the federal research and development tax credit. The legislation also retroactively reinstated the research and development tax credit for 2015.

Comparison of Years Ended January 2, 2016 and December 27, 2014

Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Total Revenue	\$ 616,778	\$ 556,846	\$ 59,932	10.8%

Our revenue increased 10.8% to \$616.8 million in fiscal 2015 from \$556.8 million in fiscal 2014. Revenue increased \$52.2 million, or 10.3%, in our home robots business unit, and \$9.5 million, or 20.9%, in our defense and security business unit.

The \$52.2 million increase in revenue from our home robots business unit was driven by a 12.1% increase in units shipped, partially offset by a 1.5% decrease in net average selling price. In fiscal 2015, domestic home robots revenue increased \$47.3 million, or 25.2%, and international home robots revenue increased \$4.9 million, or 1.5%, compared to fiscal 2014. Total home robots shipped in fiscal 2015 were 2,436,000 units compared to 2,174,000 units in fiscal 2014. The increase in domestic home robots revenue was primarily attributable to increased sales as a result of significant investments in advertising media and national promotions as well as the launch of Roomba 980. International home robots revenue growth slowed compared to fiscal 2014 as a result of negative macroeconomic conditions, specifically in Japan and Russia, offset by a significant growth increase in China. The increase in revenue also includes a \$1.6 million favorable adjustment associated with the release of marketing allowances to a former customer that went unused and for which the statute of limitations has lapsed. During 2015, we recorded a net benefit to revenue and income before income taxes of \$6.9 million related to adjustments to our product returns reserves compared to a net benefit to revenue and income before income taxes of \$4.3 million and \$5.7 million during fiscal 2014. 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 \$9.5 million increase in revenue from our defense and security business unit was driven by a \$7.7 million increase in defense and security robot revenue and a \$4.1 million increase in product life cycle revenue (spare parts, accessories), partially offset by a \$2.3 million decrease in recurring contract revenue generated under research and development contracts. Total defense and security robots shipped in fiscal 2015 were 294 units compared to 265 units in fiscal 2014, while the net average selling price of our defense and security robots increased from approximately \$56 thousand in fiscal 2014 to approximately \$77 thousand in fiscal 2015. The increase in the number of units shipped and the increase in average selling price resulted from increased sales of our higher-priced SUGV robot in fiscal 2015 as compared to fiscal 2014. The \$2.3 million decrease in contract revenue was primarily due to our change in strategy to not pursue funded research. The \$4.1 million increase in product life cycle revenue was driven primarily by the delivery of robots and spare parts under a contract with the Canadian Department of National Defense.

Cost of Revenue

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Total cost of revenue	\$ 327,852	\$ 298,791	\$ 29,061	9.7%
As a percentage of total revenue	53.2%	53.7%		

Total cost of revenue increased \$29.1 million, or 9.7% to \$327.9 million in fiscal 2015, compared to \$298.8 million in fiscal 2014. The increase is primarily due to the 12.1% and 10.9% increase of units shipped in our home robots business unit and defense and security business unit, respectively. These increases are partially offset by a higher mix of lower margin products sold in the defense and security business unit.

Gross Margin

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Total gross margin	\$ 288,926	\$ 258,055	\$ 30,871	12.0%
As a percentage of total revenue	46.8%	46.3%		

Gross margin increased \$30.9 million, or 12.0%, to \$288.9 million (46.8% of revenue) in fiscal 2015 from \$258.1 million (46.3% of revenue) in fiscal 2014. The increase in gross margin as a percentage of revenue was the result of the home robots business unit gross margin increasing 0.4 percentage points, partially offset by the defense and security business unit gross margin decreasing 0.5 percentage points. The 0.4 percentage point increase in the home robots business unit was primarily driven by favorable product and customer mix, the introduction of the higher margin Roomba 980, a decrease in warranty costs, as well as the favorable impact of the \$1.6 million adjustment to revenue related to the release of marketing allowances. During 2015, we recorded a net benefit to revenue and gross margin of \$6.9 million related to adjustments to our product returns reserves compared to a net benefit to revenue and gross margin of \$4.3 million and \$5.7 million during fiscal 2014. The 0.5 percentage point decrease in the defense and security business unit is attributable to the increase in sales of our lower margin robots.

Research and Development

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Total research and development	\$ 76,071	\$ 69,408	\$ 6,663	9.6%
As a percentage of total revenue	12.3%	12.5%		

Research and development expenses increased \$6.7 million, or 9.6%, to \$76.1 million (12.3% of revenue) in fiscal 2015 from \$69.4 million (12.5% of revenue) in fiscal 2014. This increase is attributable to increased efforts in product development and continued product enhancements. People-related costs increased \$7.0 million associated with an approximate 10% increase in headcount, especially related to software engineers, as well as a \$0.7 million increase in materials. These increases were partially offset by decreased consulting expenses of \$1.0 million in 2015 compared to 2014.

Selling and Marketing

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Total selling and marketing	\$ 97,772	\$ 86,091	\$ 11,681	13.6%
As a percentage of total revenue	15.9%	15.5%		

Selling and marketing expenses increased by \$11.7 million, or 13.6%, to \$97.8 million (15.9% of revenue) in fiscal 2015 from \$86.1 million (15.5% of revenue) in fiscal 2014. This increase is primarily attributable to an increase of \$8.9 million in investments in advertising media, national promotions and other selling and marketing costs incurred to support the retail launch of the Roomba 980 series and our continued global marketing and branding efforts, as well as increases in people-related costs of \$2.2 million driven by increased headcount in fiscal 2015 compared to fiscal 2014.

General and Administrative

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
General and administrative	\$ 54,465	\$ 49,439	\$ 5,026	10.2%
As a percentage of total revenue	8.8%	8.9%		

General and administrative expenses decreased by \$5.0 million, or 10.2%, to \$54.5 million (8.8% of revenue) in fiscal 2015 from \$49.4 million (8.9% of revenue) in fiscal 2014. This increase is primarily attributable to increases of \$2.6 million in consulting costs, \$1.8 million in people-related costs and \$0.7 million related to investments in enterprise hardware and software maintenance, support, and services.

Other Income (Expense), Net

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Other income (expense), net	\$ 2,353	\$ (708)	\$ 3,061	(432.3)%
As a percentage of total revenue	0.5%	(0.1)%		

Other income (expense), net, amounted to \$2.4 million and \$(0.7) million for fiscal 2015 and fiscal 2014, respectively. During fiscal 2015, we recorded a gain of approximately \$3.3 million related to the sale of a cost method investment, which was offset primarily by foreign currency exchange losses resulting from foreign currency exchange rate fluctuations.

Income Tax Provision

	Fiscal Year Ended		Dollar Change	Percent Change
	January 2, 2016	December 27, 2014		
	(In thousands)			
Income tax provision	\$ 18,841	\$ 14,606	\$ 4,235	29.0%
As a percentage of pre-tax income	29.9%	27.9%		

We recorded an income tax provision of \$18.8 million and \$14.6 million for fiscal 2015 and fiscal 2014, respectively. The \$18.8 million income tax provision for fiscal 2015 was based upon a 2015 effective income tax rate of 31.3% reduced by a net income tax benefit of \$0.9 million primarily resulting from an increase in federal and state tax credits upon filing the 2014 tax returns during 2015. The \$14.6 million provision for fiscal 2014 was based upon a 2014 effective income tax rate of 31.5% reduced by 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 federal research and development tax credit expired at the end of 2014. In December 2015, legislation was enacted that included the permanent extension of the federal research and development tax credit. The legislation also retroactively reinstated the research and development tax credit for 2015.

Liquidity and Capital Resources

At December 31, 2016, our principal sources of liquidity were cash and cash equivalents totaling \$214.5 million, short-term investments of \$39.9 million and accounts receivable of \$72.9 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 31, 2016, January 2, 2016 and December 27, 2014, we spent \$10.8 million, \$9.4 million and \$13.8 million respectively, on capital equipment.

Our strategy for delivering consumer 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 consumer product inventory consists of goods shipped to our third-party logistics providers for the fulfillment of distributor, retail and direct-to-consumer sales. 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.

As of December 31, 2016, we held cash, cash equivalents and short-term investments of \$254.5 million, primarily the result of our increased profitability, as well as our on-going focus on managing working capital. Net cash provided by our operations for the fiscal year ended December 31, 2016 was \$116.4 million, of which the principal components were our net income of \$41.9 million and non-cash charges of \$28.0 million and a net decrease in operating assets and liabilities of \$46.5 million. The decrease in net operating assets and liabilities includes an increase in accounts receivable (including unbilled revenue) of \$46.5 million primarily due to a decrease in accounts receivable (including unbilled revenue) of \$25.7 million primarily due to the timing of billing in respective periods and a \$16.5 million increase in accounts payable, accrued liabilities and accrued compensation primarily due to growth in the business and timing of payments to our suppliers. As of December 31, 2016, we did not have any borrowings outstanding under our working capital line of credit and had \$1.0 million in letters of credit outstanding under our revolving letter of credit facility.

We received \$23.5 million for the divestiture of our defense and security business unit, net of a \$1.0 million payment to our financial adviser. We invested \$10.8 million in the purchase of property and equipment in 2016, including tooling for new products. We purchased \$20.1 million of marketable securities in 2016, while sales and maturities of marketable securities amounted to \$13.0 million. We made strategic investments of \$2.2 million in the form of preferred shares and notes receivable.

During 2016, we received \$9.3 million from the exercise of stock options and \$3.0 million from the excess tax benefit related to our stock-based compensation plans. In addition, we repurchased 2,641,122 shares of our common stock for an aggregate purchase price of \$97.0 million. Shares issued upon vesting of restricted stock were net of 39,676 shares retained by us to cover employee tax withholdings of \$1.3 million.

Net cash provided by our operations for the fiscal year ended January 2, 2016 was \$26.7 million, of which the principal components were our net income of \$44.1 million and non-cash charges of \$23.9 million, partially offset by a net increase in operating assets and liabilities of \$41.3 million. The increase in net operating assets and liabilities includes an increase in accounts receivable (including unbilled revenue) of \$31.5 million primarily due to an increase in revenue and timing of billing in respective periods and a \$14.0 million increase in inventory primarily to support increased domestic sales and the roll-out of

Roomba 980. As of January 2, 2016, we did not have any borrowings outstanding under our working capital line of credit and had \$1.5 million in letters of credit outstanding under our revolving letter of credit facility.

We invested \$9.4 million in the purchase of property and equipment in 2015, including tooling for new products. We purchased \$17.8 million of marketable securities in 2015, while sales and maturities of marketable securities amounted to \$20.5 million. We received \$5.6 million from sales of other assets. We made strategic investments of \$1.0 million in the form of preferred shares and notes receivable.

During 2015, we received \$6.5 million from the exercise of stock options and \$1.5 million from the excess tax benefit related to our stock-based compensation plans. In addition, we repurchased 1,260,276 shares of our common stock for an aggregate purchase price of \$37.4 million. Shares issued upon vesting of restricted stock were net of 37,969 shares retained by us to cover employee tax withholdings of \$1.3 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 31, 2016, the total amount of 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 will terminate and all amounts outstanding thereunder will be due and payable in full on December 20, 2018.

As of December 31, 2016, we had no outstanding borrowings under our revolving credit facility. This credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on our ability to incur or guaranty additional indebtedness, create liens, enter into transactions with affiliates, make loans or investments, sell assets, pay dividends or make distributions on, or repurchase, our stock, and consolidate or merge with other entities.

In addition, we are required to meet certain financial covenants customary with this type of agreement, including maintaining a maximum 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 31, 2016, 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 \$5.0 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 31, 2016, we had letters of credit outstanding of \$1.0 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 maximum ratio of indebtedness to Adjusted EBITDA and a minimum specified interest coverage ratio.

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 31, 2016, 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. Other obligations consist primarily of software licensing arrangements. The following table describes our commitments to settle contractual obligations in cash as of December 31, 2016:

	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	\$ 4,773	\$ 8,647	\$ 3,308	\$ 2,046		\$ 18,774
Minimum contractual payments	1,066	1,390	—	—		2,456
Other obligations	1,324	429	—	—		1,753
Total	<u>\$ 7,163</u>	<u>\$ 10,466</u>	<u>\$ 3,308</u>	<u>\$ 2,046</u>		<u>\$ 22,983</u>

At December 31, 2016, we had outstanding purchase orders aggregating approximately \$103.2 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 31, 2016, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350)." ASU No. 2017-04 eliminates step 2 from the goodwill impairment test, instead an entity should recognize an impairment charge for the amount by which the carrying amount of goodwill exceeds the reporting unit's fair value. ASU 2017-04 is effective for fiscal years beginning after December

15, 2019, including interim periods within those fiscal years, with early adoption permitted. We do not believe that ASU 2017-04 will have a material effect on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805) Clarifying the Definition of a Business". The Amendments in this Update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. We are currently evaluating the impact of ASU 2017-01 on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 clarifies the accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact of ASU 2016-16 on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 refines how companies classify certain aspects of the cash flow statement in regards to debt prepayment, settlement of debt instruments, contingent consideration payments, proceeds from insurance claims and life insurance policies, distribution from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of ASU 2016-15 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We are currently evaluating the impact of ASU 2016-09 on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact of the standard on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires that the presentation of deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. This standard will become effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016, with early adoption allowed. We elected to prospectively adopt ASU 2015-17 as of January 2, 2016. The prior reporting period was not retrospectively adjusted. The adoption of this guidance had no impact on our Consolidated Statements of Income and Comprehensive Income.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory: Simplifying the Measurement of Inventory." ASU 2015-11 applies only to inventory for which cost is determined by methods other than last-in, first-out and the retail inventory method, which includes inventory that is measured using first-in, first-out or average cost. Inventory within the scope of this standard is required to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new standard will be effective for us on January 1, 2017. We do not believe that ASU 2015-11 will have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." Under ASU 2015-05, if a cloud computing arrangement includes a software license, the software license element of the arrangement should be accounted for consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the

arrangement should be accounted for as a service contract. The new standard became effective for us on January 3, 2016. The adoption of this standard did not have a material impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation - Amendments to the Consolidation Analysis." ASU 2015-02 reduces the number of consolidation models and changes the way reporting entities evaluate a variable interest entity. It is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We adopted ASU 2015-02 effective January 3, 2016. The adoption of this standard did not have a material impact on 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 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. We adopted ASU 2014-12 effective January 3, 2016. The adoption of this standard did not have a material impact 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 initially was effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. In July 2015, the FASB voted to defer the effective date of the new accounting guidance related to revenue recognition by one year to December 17, 2017 for annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. We are continuing to evaluate the impact that the adoption of the new revenue recognition standard will have on our consolidated financial statements, but anticipate that the additional disclosure requirements will represent a significant change from current guidance. We currently anticipate adopting the standard using the modified retrospective method.

From time to time, new accounting pronouncements are issued by FASB that we adopt as of the specified effective date. Unless otherwise discussed, we believe that 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 consumer 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 or swaps, 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 31, 2016, we had unrestricted cash and cash equivalents of \$214.5 million and short term investments of \$39.9 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 31, 2016, 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 31, 2016, we had letters of credit outstanding of \$1.0 million under our revolving letter of credit facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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 31, 2016 and January 2, 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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 31, 2016, 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 17, 2017

iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	January 2, 2016
(In thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 214,523	\$ 179,915
Short term investments	39,930	33,124
Accounts receivable, net of allowance of \$29 at December 31, 2016 and \$33 at January 2, 2016	72,909	104,679
Unbilled revenue	139	452
Inventory	50,578	61,678
Other current assets	5,591	9,501
Total current assets	383,670	389,349
Property and equipment, net	27,532	26,850
Deferred tax assets	30,585	31,721
Goodwill	41,041	48,751
Intangible assets, net	12,207	15,664
Other assets	12,877	9,408
Total assets	\$ 507,912	\$ 521,743

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

Current liabilities:		
Accounts payable	\$ 67,281	\$ 61,655
Accrued expenses	19,854	15,954
Accrued compensation	21,015	15,752
Deferred revenue and customer advances	4,486	3,265
Total current liabilities	112,636	96,626
Long term liabilities	6,320	7,706
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 27,237,870 and 29,091,806 shares issued and outstanding at December 31, 2016 and January 2, 2016, respectively	272	291
Additional paid-in capital	161,885	232,345
Retained earnings	226,950	185,011
Accumulated other comprehensive loss	(151)	(236)
Total stockholders' equity	388,956	417,411
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 507,912	\$ 521,743

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands, except per share amounts)		
Revenue	\$ 660,604	\$ 616,778	\$ 556,846
Cost of revenue(1)	341,289	327,852	298,791
Gross margin	319,315	288,926	258,055
Operating expenses:			
Research and development(1)	79,805	76,071	69,408
Selling and marketing(1)	115,125	97,772	86,091
General and administrative(1)	66,828	54,465	49,439
Total operating expenses	261,758	228,308	204,938
Operating income	57,557	60,618	53,117
Other income (expense), net	3,804	2,353	(708)
Income before income taxes	61,361	62,971	52,409
Income tax expense	19,422	18,841	14,606
Net income	\$ 41,939	\$ 44,130	\$ 37,803
Net income per share			
Basic	\$ 1.51	\$ 1.49	\$ 1.28
Diluted	\$ 1.48	\$ 1.47	\$ 1.25
Number of weighted average common shares used in calculations per share			
Basic	27,698	29,550	29,485
Diluted	28,292	30,107	30,210

(1) Stock-based compensation recorded in fiscal 2016, 2015 and 2014 breaks down by expense classification as follows:

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Cost of revenue	\$ 760	\$ 1,076	\$ 865
Research and development	3,646	3,256	3,359
Selling and marketing	2,008	1,457	1,296
General and administrative	9,581	8,394	8,258

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Net income	\$ 41,939	\$ 44,130	\$ 37,803
Other comprehensive gain (loss), net of tax:			
Unrealized gains (losses) on investments, net of tax	85	(85)	(298)
Total comprehensive income	<u>\$ 42,024</u>	<u>\$ 44,045</u>	<u>\$ 37,505</u>

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Value				
	(In thousands, except share data)					
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 units			13,778			13,778
Stock withheld to cover tax withholdings requirements upon vesting of restricted stock units	(39,297)		(1,626)			(1,626)
Unrealized 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
Issuance of common stock for exercise of stock options	390,085	4	6,460			6,464
Conversion of deferred compensation	14,610	—	—			—
Vesting of restricted stock units	340,754	3	(3)			—
Tax benefit of excess stock based compensation deduction			822			822
Amortization of deferred compensation relating to stock options and restricted stock units			14,183			14,183
Stock withheld to cover tax withholdings requirements upon vesting of restricted stock units	(37,969)		(1,295)			(1,295)
Unrealized loss on short term investment					(85)	(85)
Directors' deferred compensation			149			149
Stock repurchases	(1,260,276)	(13)	(37,380)			(37,393)
Net income				44,130		44,130
Balance at January 2, 2016	29,091,806	\$ 291	\$ 232,345	\$ 185,011	\$ (236)	\$ 417,411
Issuance of common stock for exercise of stock options	456,498	4	9,340			9,344
Conversion of deferred compensation	6,721	—	—			—
Vesting of restricted stock units	363,643	4	(4)			—
Tax benefit of excess stock based compensation deduction			2,421			2,421
Amortization of deferred compensation relating to stock options and restricted stock units			15,995			15,995
Stock withheld to cover tax withholdings requirements upon vesting of restricted stock units	(39,676)		(1,300)			(1,300)
Unrealized loss on short term investment					85	85
Directors' deferred compensation			82			82
Stock repurchases	(2,641,122)	(27)	(96,994)			(97,021)
Net income				41,939		41,939
Balance at December 31, 2016	27,237,870	\$ 272	\$ 161,885	\$ 226,950	\$ (151)	\$ 388,956

See accompanying Notes to Consolidated Financial Statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 41,939	\$ 44,130	\$ 37,803
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,606	15,090	13,049
Loss on disposal of property and equipment	211	214	246
Gain on sale of business unit	(433)	—	—
Income on equity method investment	(1,376)	—	—
Gain on sale of cost method investment	(634)	(3,287)	—
Stock-based compensation	15,995	14,183	13,778
Deferred income taxes, net	3,557	(985)	3,101
Tax benefit of excess stock-based compensation deductions	(2,971)	(1,467)	(3,051)
Non-cash director deferred compensation	82	149	49
Changes in operating assets and liabilities — (use) source			
Accounts receivable	25,484	(33,623)	(31,708)
Unbilled revenue	198	2,162	(1,758)
Inventory	(981)	(13,978)	(2,387)
Other assets	3,187	203	(2,856)
Accounts payable	6,502	3,786	16,249
Accrued expenses	4,222	(2,768)	3,695
Accrued compensation	5,748	(483)	(3,371)
Deferred revenue and customer advances	2,996	(584)	(1,236)
Long term liabilities	(908)	3,970	(997)
Net cash provided by operating activities	116,424	26,712	40,606
Cash flows from investing activities:			
Additions of property and equipment	(10,817)	(9,372)	(13,774)
Change in other assets	(2,093)	(1,015)	(250)
Proceeds from sale of business unit	23,520	—	—
Proceeds from sale of cost method investment	634	5,645	—
Purchases of investments	(16,554)	(17,755)	(31,219)
Sales and maturities of investments	9,500	20,500	16,500
Net cash provided by (used in) investing activities	4,190	(1,997)	(28,743)
Cash flows from financing activities:			
Income tax withholding payment associated with restricted stock vesting	(1,300)	(1,295)	(1,626)
Proceeds from stock option exercises	9,344	6,464	8,943
Stock repurchases	(97,021)	(37,393)	(1,678)
Tax benefit of excess stock-based compensation deductions	2,971	1,467	3,051
Net cash provided by (used in) financing activities	(86,006)	(30,757)	8,690
Net increase (decrease) in cash and cash equivalents	34,608	(6,042)	20,553
Cash and cash equivalents, at beginning of period	179,915	185,957	165,404
Cash and cash equivalents, at end of period	\$ 214,523	\$ 179,915	\$ 185,957
Supplemental disclosure of cash flow information			
Cash paid for income taxes	\$ 14,061	\$ 14,341	\$ 15,508
Non-cash investing and financing activities:			
Transfer of inventory to property and equipment	5	157	637
Additions of property and equipment included in accounts payable	1,550	848	3,235
Asset retirement obligation	\$ 115	\$ —	\$ —

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 applies this technology in producing and marketing robots. The Company's revenue is primarily generated from product sales.

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. iRobot has prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Fiscal Year-End

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

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 31, 2016 and January 2, 2016, cash equivalents were comprised of money market funds totaling \$157.0 million and \$110.8 million, respectively. These cash equivalents are carried at cost, which approximates fair value.

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 31, 2016 and January 2, 2016, investments consisted of:

	December 31, 2016		January 2, 2016	
	Cost	Fair Market Value	Cost	Fair Market Value
	(In thousands)			
Corporate and government bonds	\$ 40,439	\$ 39,930	\$ 33,622	\$ 33,124
Total short term investments	<u>\$ 40,439</u>	<u>\$ 39,930</u>	<u>\$ 33,622</u>	<u>\$ 33,124</u>

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2016, the Company's investments had maturity dates ranging from February 2017 to October 2019. The Company invests primarily in investment grade securities and limits the amount of investment in any single issuer.

Revenue Recognition

The Company primarily derives its revenue from product sales. Until the divestiture of the defense and security business unit on April 4, 2016 (see Note 15), the Company also generated minimal revenue from 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 and allowances, provided that collection is determined to be reasonably assured and no significant obligations remain.

Beginning in the third quarter of 2015, with the introduction of the Company's first connected robot, each sale of a connected robot represents a multi-element arrangement containing the robot, an app and potential future unspecified software upgrades. Revenue is allocated to the deliverables based on their relative selling prices which have been determined using best estimate of selling price (BESP), as the Company has not been able to establish vendor specific objective evidence (VSOE) or obtain relevant third party evidence (TPE). Revenue allocated to the app and unspecified software upgrades is then deferred and recognized on a straight-line basis over the period in which the Company expects to provide the upgrades over the estimated life of the robot.

Sales to domestic and Canadian resellers of consumer 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, one domestic distributor and one international distributor. 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. These estimates for rights of return are directly based on specific terms and conditions included in the customer 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 customer 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 agreement is modified. Except for the one international distributor noted above, 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. In 2016, the Company began selling to one domestic distributor under an agreement that provides product return privileges. As a result, the Company recognizes revenue from sales to this distributor when the product is resold by the distributor. 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.

Prior to the Company's divestiture of the defense and security business unit on April 4, 2016 (see Note 15), the Company generated minimal revenue from government contracts. Under cost-plus-fixed-fee (CPFF) type contracts, the Company recognized revenue based on costs incurred plus a pro rata portion of the total fixed fee. Costs incurred included labor and material that were directly associated with individual CPFF contracts plus indirect overhead and general and administrative type costs based upon billing rates submitted by the Company to the Defense Contract Management Agency (DCMA). Annually, the Company submits final indirect billing rates to DCMA based upon actual costs incurred throughout the year. In the situation where the Company's final actual billing rates are greater than the estimated rates used, 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 31, 2016, fiscal year 2015 is open for audit by DCAA. In the situation where the Company's anticipated actual

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

billing rates will be lower than the provisional rates used, the Company records a cumulative revenue adjustment in the period in which the rate differential is identified. Revenue on firm fixed price (FFP) contracts was recognized using the percentage-of-completion method. For government product FFP contracts, revenue was recognized as the product was shipped or in accordance with the contract terms. Costs and estimated gross margins on contracts were recorded as revenue as work was performed based on the percentage that incurred costs compared to estimated total costs utilizing the most recent estimates of costs and funding. Revenue earned in excess of billings, if any, was recorded as unbilled revenue. Billings in excess of revenue earned, if any, were 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 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Balance at beginning of period	\$ 33	\$ 67	\$ 67
Provision	—	—	—
Deduction(*)	(4)	(34)	—
Balance at end of period	\$ 29	\$ 33	\$ 67

(*) 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.

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	2-5 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

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.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 are expensed as incurred.

Internal Use Software

The Company capitalizes costs associated with the development and implementation of software for internal use. At December 31, 2016, January 2, 2016 and December 27, 2014, the Company had \$9.5 million, \$8.6 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 \$0.4 million, \$0.7 million and \$0.8 million of amortization expense for the years ended December 31, 2016, January 2, 2016 and December 27, 2014, 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 31, 2016, three customers accounted for a total of 43.9% of the Company's accounts receivable balance, each of which was greater than 10% of the balance and two of whom secured their balance with guaranteed letters of credit which together represents 32.5% of the balance. At January 2, 2016, two customers accounted for a total of 34.1% 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 31, 2016, January 2, 2016 and December 27, 2014, revenue from U.S. federal government orders, contracts and subcontracts, represented 0.2%, 5.1% and 4.3% of total revenue, respectively. For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, the Company generated an aggregate of 25.2%, 26.0% and 29.8%, respectively, of total revenue from its consumer robots distributor in Japan (Sales on Demand Corporation) and a network of affiliated European distributors of its consumer robots (Robopolis SAS). For the year ended December 31, 2016, the Company generated 10.4% of total revenue from one of the Company's domestic retailers (Amazon).

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company maintains its cash in bank deposit accounts at high quality financial institutions. The individual balances, at times, may exceed federally insured limits.

Stock-Based Compensation

The Company accounts for stock-based compensation through recognition of the fair value of the stock-based compensation as a charge against earnings. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair value as calculated by the Black-Scholes option-pricing model. Stock-based compensation cost for restricted stock awards, time-based restricted stock units and performance-based restricted stock units is measured based on the closing fair market value of the Company's common stock on the date of grant. For performance-based restricted stock units, the compensation costs will be subsequently adjusted for assumptions of achievement during the period in which the assumption of achievement changes, as applicable. The Company recognizes stock-based compensation 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 31, 2016, January 2, 2016 and December 27, 2014 advertising expense totaled \$64.4 million, \$54.7 million and \$46.1 million, respectively, and are recorded with the selling and marketing expenses line item.

Net Income Per Share

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

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
Net income	\$ 41,939	\$ 44,130	\$ 37,803
Weighted-average shares outstanding	27,698	29,550	29,485
Dilutive effect of employee stock options and restricted shares	594	557	725
Diluted weighted-average shares outstanding	28,292	30,107	30,210
Basic income per share	\$ 1.51	\$ 1.49	\$ 1.28
Diluted income per share	\$ 1.48	\$ 1.47	\$ 1.25

Restricted stock units and stock options representing approximately 0.4 million, 0.5 million and 0.2 million shares of common stock for the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, 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 the Internal Revenue Service is closed for fiscal years prior to 2013. The statute of limitations for examinations by state tax authorities is closed for fiscal years prior to 2012. Federal carryforward attributes that were generated prior to fiscal year 2013 and state carryforward attributes that were generated prior to fiscal year 2012 may still be adjusted upon examination by the federal 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

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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. As of December 31, 2016, the Company did not record a valuation allowance as all deferred tax assets are considered realizable.

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.

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 and Liabilities

The Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2016, were as follows:

<u>Description</u>	Fair Value Measurements as of		
	December 31, 2016		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Cash and cash equivalents			
Money market funds	\$ 156,980	\$ —	\$ —
Short term investments			
Corporate and government bonds (1)	—	39,930	—
Other current assets			
Derivative instruments (Note 13) (2)	—	180	—
Total assets measured at fair value	\$ 156,980	\$ 40,110	\$ —
Liabilities:			
Accrued expenses			
Derivative instruments (Note 13) (2)	\$ —	\$ 43	\$ —
Total liabilities measured at fair value	\$ —	\$ 43	\$ —

The Company's financial assets and liabilities measured at fair value on a recurring basis at January 2, 2016, were as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Description</u>	Fair Value Measurements as of		
	January 2, 2016		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Cash and cash equivalents			
Money market funds	\$ 110,817	\$ —	\$ —
Short term investments			
Corporate and government bonds (1)	—	33,124	—
Total assets measured at fair value	\$ 110,817	\$ 33,124	\$ —
Liabilities:			
Accrued expenses			
Derivative instruments (Note 13) (2)	\$ —	28	\$ —
Total liabilities measured at fair value	\$ —	\$ 28	\$ —

(1) The bond investments are valued based on observable market values as of the Company's reporting date. The bond investments are recorded at fair value and marked-to-market at the end of each reporting period. The realized and unrealized gains and losses are included in comprehensive income for that period.

(2) Derivative instruments are valued using an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350)." ASU No. 2017-04 eliminates step 2 from the goodwill impairment test, instead an entity should recognize an impairment charge for the amount by which the carrying amount of goodwill exceeds the reporting unit's fair value. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company does not believe that ASU 2017-04 will have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805) Clarifying the Definition of a Business". The Amendments in this Update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company is currently evaluating the impact of ASU 2017-01 on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 clarifies the accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of ASU 2016-16 on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 refines how companies classify certain aspects of the cash flow statement in regards to debt prepayment, settlement of debt instruments, contingent consideration payments, proceeds from insurance claims and life insurance policies, distribution from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-15 on its consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2016-09 on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires that the presentation of deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. This standard will become effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016, with early adoption allowed. The Company elected to prospectively adopt ASU 2015-17 as of January 2, 2016. The prior reporting period was not retrospectively adjusted. The adoption of this guidance had no impact on the Company's Consolidated Statements of Income and Comprehensive Income.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory: Simplifying the Measurement of Inventory." ASU 2015-11 applies only to inventory for which cost is determined by methods other than last-in, first-out and the retail inventory method, which includes inventory that is measured using first-in, first-out or average cost. Inventory within the scope of this standard is required to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new standard will be effective for the Company on January 1, 2017. The Company does not believe that the adoption of ASU 2015-11 will have a material effect on its financial condition or results of operations.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." Under ASU 2015-05, if a cloud computing arrangement includes a software license, the software license element of the arrangement should be accounted for consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. The new standard became effective for the Company on January 3, 2016. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation - Amendments to the Consolidation Analysis." ASU 2015-02 reduces the number of consolidation models and changes the way reporting entities evaluate a variable interest entity. It is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Company adopted ASU 2015-02 effective January 3, 2016. The adoption of this standard did not have a material impact on 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 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. The Company adopted ASU 2014-12 effective January 3, 2016. The adoption of this standard did not have a material impact on the Company's 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 initially was effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. In July 2015, the FASB voted to defer the effective date of the new accounting guidance related to revenue recognition by one year to December 17,

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2017 for annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is continuing to evaluate the impact that the adoption of the new revenue recognition standard will have on its consolidated financial statements, but anticipates that the additional disclosure requirements will represent a significant change from current guidance. The Company currently anticipates adopting the standard using the modified retrospective method.

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

3. Inventory

Inventory consists of the following at:

	December 31, 2016	January 2, 2016
(In thousands)		
Raw materials	\$ 4,717	\$ 9,082
Finished goods	45,861	52,596
	<u>\$ 50,578</u>	<u>\$ 61,678</u>

4. Property and Equipment

Property and equipment consists of the following at:

	December 31, 2016	January 2, 2016
(In thousands)		
Computer and equipment	\$ 7,378	\$ 13,825
Furniture	2,906	2,441
Machinery	9,154	7,134
Tooling	20,487	16,599
Leasehold improvements	21,383	21,022
Business applications software	9,471	8,559
	<u>70,779</u>	<u>69,580</u>
Less: accumulated depreciation	43,247	42,730
	<u>\$ 27,532</u>	<u>\$ 26,850</u>

Depreciation expense for the years ended December 31, 2016, January 2, 2016 and December 27, 2014 was \$10.0 million, \$11.4 million, and \$9.2 million, respectively.

5. Other Assets

At December 31, 2016, other assets consisted of eleven investments totaling \$12.9 million. At January 2, 2016, other assets consisted of six investments totaling \$9.4 million. At December 31, 2016, these investments consisted of cost method investments of \$10.9 million, an equity method investment of \$1.5 million and notes receivable of \$0.5 million. 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. During 2016, the Company recorded impairment on a cost method investment of approximately \$0.1 million. Since the Company believes the fair value of its remaining investments is greater than the carrying value of its investments, it has not impaired these investments.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Accrued Expenses

Accrued expenses consist of the following at:

	December 31, 2016	January 2, 2016
	(In thousands)	
Accrued warranty	8,464	6,907
Accrued direct fulfillment costs	1,722	2,030
Accrued customer deposits	1,171	788
Accrued federal and state income taxes	1,059	—
Accrued accounting fees	686	395
Accrued sales tax	422	625
Accrued sales commissions	404	465
Accrued rent	327	547
Accrued other	5,599	4,197
	<u>\$ 19,854</u>	<u>\$ 15,954</u>

Accrued compensation consists of the following at:

	December 31, 2016	January 2, 2016
	(In thousands)	
Accrued bonus	\$ 14,226	\$ 8,640
Accrued other compensation	6,789	7,112
	<u>\$ 21,015</u>	<u>\$ 15,752</u>

7. Working Capital Facilities

Credit Facility

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 31, 2016, the total amount of the 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 31, 2016, the Company had no outstanding 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 maximum 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 31, 2016, the Company was in compliance with all covenants under its credit facility.

Letter of Credit Facility

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

The Company pays 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 31, 2016, there were letters of credit outstanding of \$1.0 million under the revolving letter of credit facility. The 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 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 maximum ratio of indebtedness to Adjusted EBITDA and a minimum specified interest coverage ratio.

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 31, 2016, the Company was in compliance with all covenants under the revolving letter of 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 could purchase up to \$50 million of its common stock from May 1, 2014 to April 30, 2015. On March 19, 2015, the Company announced an additional stock repurchase program, which authorized the repurchase of \$50 million of its common stock from May 1, 2015 to April 30, 2016. On December 28, 2015, the Company replaced the then-current stock repurchase program with a new stock repurchase program, effective January 4, 2016 and ending on December 31, 2016, pursuant to which the Company was authorized to purchase up to one million shares or \$40 million of its common stock. On March 1, 2016, the Company replaced the then-current stock repurchase program and entered into an accelerated share repurchase (ASR) agreement to repurchase an aggregate of \$85.0 million of common stock.

During 2016, 2015 and 2014, the Company repurchased 2,641,122 shares totaling \$97.0 million, 1,260,276 shares totaling \$37.4 million and 55,973 shares totaling \$1.7 million, respectively, in the open market under these stock repurchase plans.

9. Stock Option Plans and Stock-Based Compensation

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Form 10-K

The Company has options outstanding under three stock incentive plans: the 2005 Stock Option and Incentive Plan (the "2005 Plan"), the Evolution Robotics, Inc. 2007 Stock Plan (the "2007 Plan") and the 2015 Stock Option and Incentive Plan (the "2015 Plan" and together with the 2005 Plan and the 2007 Plan, the "Plans"). All options that remained outstanding under the 2004 Stock Option and Incentive Plan as of December 27, 2014 were exercised during fiscal 2015. The 2015 Plan is the only one of the three plans under which new awards may currently be granted. Under the 2015 Plan, which became effective May 20, 2015, 3,100,000 shares were initially reserved for issuance in the form of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock units, unrestricted stock awards, cash-based awards, performance share awards and dividend equivalent rights. Stock awards returned to the Plans, with the exception of those issued under the 2007 Plan, as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2015 Plan. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code of 1986, as amended. As of December 31, 2016, there were 1,495,517 shares available for future grant under the 2015 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 four years, and expire five or ten years from the date of grant or, if earlier, 90 days from employee termination. The exercise price of stock options is typically equal to the closing price on the NASDAQ Global Select Market on the date of grant. Other awards granted under the Plans generally vest over periods from three to four years.

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 \$3.2 million of stock-based compensation expense during the fiscal year ended December 31, 2016 for stock options. The unamortized fair value as of December 31, 2016 associated with these grants was \$6.8 million with a weighted-average remaining recognition period of 2.85 years. The Company expects to recognize associated stock-based compensation expense of \$2.8 million, \$2.1 million, \$1.4 million and \$0.5 million in 2017, 2018, 2019 and 2020, respectively.

The fair value of each option grant for the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014 was computed on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
Risk-free interest rate	1.17% — 1.89%	1.47% — 1.75%	1.65% — 1.69%
Expected dividend yield	—	—	—
Expected life	4.01 — 4.03 years	3.98 — 4.02 years	3.91 — 4.00 years
Expected volatility	38.9% — 42.1%	46.5% — 52.4%	52.8% — 56.0%

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 31, 2016, January 2, 2016 and December 27, 2014 was \$12.88, \$13.21 and \$15.87, respectively.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below summarizes stock option plan activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
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	1,473,320	\$ 22.89		
Granted	323,104	32.58		
Exercised	(390,085)	16.57		
Canceled	(118,789)	28.41		
Outstanding at January 2, 2016	1,287,550	\$ 26.73		
Granted	314,770	38.03		
Exercised	(456,498)	20.47		
Canceled	(57,648)	33.28		
Outstanding at December 31, 2016	1,088,174	\$ 32.27	4.63 years	\$28.5 million
Vested and expected to vest at December 31, 2016	1,027,399	\$ 32.01	4.55 years	\$27.2 million
Exercisable as of December 31, 2016	530,059	\$ 28.45	3.34 years	\$15.9 million
Weighted average fair value of options granted during the fiscal year ended December 31, 2016		\$ 12.88		
Options available for future grant at December 31, 2016	1,495,517			

- (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 31, 2016 of \$58.45 and the exercise price of the underlying option.

During fiscal years 2016, 2015, and 2014, the total intrinsic value of stock options exercised was \$10.3 million, \$5.9 million and \$10.5 million, respectively. No amounts relating to stock-based compensation have been capitalized.

The following table summarizes information about stock options outstanding at December 31, 2016:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 3.54 - \$ 21.23	37,580	4.21 years	\$ 7.72	37,580	\$ 7.72
22.86 - 22.86	142,278	3.18	22.86	132,265	22.86
24.53 - 29.60	146,630	3.59	27.65	100,303	26.75
32.38 - 32.38	70,590	5.43	32.38	25,544	32.38
33.14 - 33.14	128,595	6.19	33.14	—	—
33.29 - 33.48	123,935	2.27	33.42	105,726	33.44
33.72 - 34.30	124,259	5.33	34.16	45,410	34.17
34.67 - 37.08	89,585	4.46	35.77	56,634	35.64
37.62 - 37.62	110,575	6.44	37.62	—	—
39.09 - 58.55	114,147	5.89	45.77	26,597	43.35
\$ 3.54 - \$58.55	1,088,174	4.63 years	\$ 32.27	530,059	\$ 28.45

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the fiscal year ended December 31, 2016, the Company recognized \$12.8 million of stock-based compensation expense associated with restricted stock units. As of December 31, 2016, January 2, 2016 and December 27, 2014, the unamortized fair value of all restricted stock units was \$28.9 million, \$24.3 million and \$20.1 million, respectively. The Company expects to recognize associated stock-based compensation expense of \$11.2 million, \$8.9 million, \$6.4 million and \$2.4 million in 2017, 2018, 2019 and 2020, 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 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
Granted	576,410	32.33
Vested	(340,754)	29.13
Forfeited	(121,142)	31.49
Outstanding at January 2, 2016	1,024,369	\$ 31.90
Granted	458,237	37.93
Vested	(363,643)	30.42
Forfeited	(98,917)	32.13
Outstanding at December 31, 2016	<u>1,020,046</u>	<u>\$ 35.23</u>

In 2014, 2015 and 2016 the Company granted performance-based restricted stock units (PSUs) to certain of its employees. The performance metric for these awards is operating income percent, with a threshold requirement for a minimum amount of revenue growth. These awards vest over a three year period. 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 and revenue 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 each individual year 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 individual year targets.

10. Income Taxes

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of income tax expense were as follows:

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
(In thousands)			
Current			
Federal	\$ 17,639	\$ 20,033	\$ 15,128
State	1,054	972	129
Foreign	310	121	91
Total current tax provision	19,003	21,126	15,348
Deferred			
Federal	\$ 781	\$ (1,657)	\$ 1,268
State	(95)	(628)	(2,010)
Foreign	(267)	—	—
Total deferred tax provision	419	(2,285)	(742)
Total income tax provision	\$ 19,422	\$ 18,841	\$ 14,606

As of December 31, 2016, a deferred tax liability has not been established for approximately \$1.6 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.

The components of net deferred tax assets were as follows:

	December 31, 2016	January 2, 2016
	(In thousands)	
Net deferred tax assets		
Non-current deferred tax assets		
Accounts receivable	\$ 11,850	\$ 7,924
Accrued expenses	6,233	9,110
Stock-based compensation	6,150	5,962
Tax credits	5,999	6,114
Property and equipment	1,934	1,308
Inventory	1,318	2,885
Net operating loss carryforwards	1,010	3,606
Other	1,336	1,625
Total non-current deferred tax assets	35,830	38,534
Non-current deferred tax liabilities		
Prepays	715	623
Intangible assets	4,530	6,190
Total non-current deferred tax liabilities	5,245	6,813
Total net deferred tax assets	\$ 30,585	\$ 31,721

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires that the presentation of deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and non-current amounts. This standard became effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016, with early adoption

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

allowed. The Company elected to prospectively early adopt ASU 2015-17 on the first day of the fourth quarter of the fiscal year ended January 2, 2016. The adoption of this guidance had no impact on the Company's Consolidated Statements of Income and Comprehensive Income.

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. As of December 31, 2016, the Company did not record a valuation allowance as all deferred tax assets are considered realizable.

The table below summarizes activity relating to the valuation allowance:

<u>Fiscal Year Ended</u>	<u>Balance at beginning of period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Additions Charged to Goodwill</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
(In thousands)					
December 27, 2014	\$ 2,090	—	—	2,090	\$ —
January 2, 2016	\$ —	—	—	—	\$ —
December 31, 2016	\$ —	—	—	—	\$ —

The Company has federal net operating loss carryforwards of \$1.0 million and \$8.0 million as of December 31, 2016 and January 2, 2016, respectively, which expire in 2031. The Company has state net operating loss carryforwards of \$8.9 million and \$15.0 million as of December 31, 2016 and January 2, 2016, respectively, which expire from 2029 to 2031. The Company has federal research and development credit carryforwards of \$1.0 million and \$1.0 million as of December 31, 2016 and January 2, 2016, respectively, which expire from 2026 to 2031. The Company has state research and development credit carryforwards of \$10.0 million and \$9.3 million as of December 31, 2016 and January 2, 2016, respectively, which expire from 2023 to 2031. 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 December 31, 2016, the Company has \$9.9 million of federal and state 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 federal and state net operating loss carryforwards or federal and state research and development credits to expire prior to being utilized.

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:

	<u>Fiscal Year Ended</u>		
	<u>December 31, 2016</u>	<u>January 2, 2016</u>	<u>December 27, 2014</u>
(In thousands)			
Expected federal income tax	\$ 21,476	\$ 22,040	\$ 18,344
Miscellaneous permanent items	516	608	691
State taxes (net of federal benefit)	1,360	982	1,058
Federal and state credits	(2,233)	(2,767)	(1,487)
Change in valuation allowance	—	—	(2,090)
Domestic production activities deduction	(1,731)	(2,145)	(1,562)
Settlement of uncertain tax positions	(167)	(194)	(176)
Other	201	317	(172)
	<u>\$ 19,422</u>	<u>\$ 18,841</u>	<u>\$ 14,606</u>

iROBOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of the Company's adjustments to its gross unrecognized tax benefits in the current year is as follows:

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(in thousands)		
Balance at beginning of period	\$ 6,616	\$ 2,491	\$ 2,618
Increase (decrease) for tax positions related to the current year	2,851	786	252
Increase (decrease) for tax positions related to prior years	(4,224)	3,533	(108)
Decreases for settlements with applicable taxing authorities	—	—	(271)
Decreases for lapses of statute of limitations	(97)	(194)	—
Balance at end of period	<u>\$ 5,146</u>	<u>\$ 6,616</u>	<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 31, 2016, January 2, 2016 and December 27, 2014 there were no material accrued interest or penalties. Over the next twelve months, it is reasonably possible that the Company may recognize approximately \$0.1 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 31, 2016 were to become recognizable in the future, we would record a \$2.2 million benefit, inclusive of interest, 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 \$0.7 million and \$0.6 million as of December 31, 2016 and January 2, 2016, 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 \$1.8 million and \$1.0 million as of December 31, 2016 and January 2, 2016, 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 31, 2016 and January 2, 2016.

The Company follows the with and without approach for direct and indirect effects of windfall tax deductions.

11. Commitments and Contingencies

Legal Proceedings

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 our financial condition or results of operations.

Lease Obligations

The Company leases its facilities. Rental expense under operating leases for fiscal 2016, 2015 and 2014 amounted to \$6.0 million, \$4.9 million, and \$4.8 million, respectively. Future minimum rental payments under operating leases were as follows as of December 31, 2016:

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Operating Leases
2017	\$ 4,773
2018	4,438
2019	4,209
2020	2,126
2021	1,182
Thereafter	2,046
Total minimum lease payments	\$ 18,774

Outstanding Purchase Orders

At December 31, 2016, we had outstanding purchase orders aggregating approximately \$103.2 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 31, 2016 and January 2, 2016, respectively.

Government Contract Contingencies

Prior to the completion of the divestiture of our defense and security business unit during the second quarter of 2016, the Company had several prime contracts with the U.S. federal government which did 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 31, 2016, fiscal years 2015 and 2016 are open for audit by DCAA.

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:

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Balance at beginning of period	\$ 6,907	\$ 7,769	\$ 6,497
Provision	7,494	4,598	6,410
Warranty usage (*)	(5,937)	(5,460)	(5,138)
Balance at end of period	\$ 8,464	\$ 6,907	\$ 7,769

(*) Warranty usage includes costs incurred for warranty obligations and the release of warranty liabilities associated with the divestiture of the defense and security business unit.

Sales Taxes

The Company collects and remits sales tax in jurisdictions in which it has a physical presence or it believes nexus exists, which therefore obligates the Company to collect and remit sales tax. The Company continually evaluates whether it has established nexus in new jurisdictions with respect to sales tax. The Company has recorded a liability for potential exposure in 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, \$1.8 million and \$1.7 million for the plan years ended December 31, 2016, January 2, 2016 and December 27, 2014 ("Plan-Year 2016," "Plan-Year 2015" and "Plan-Year 2014"), 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 2016, Plan-Year 2015 and Plan-Year 2014 is entitled up to a maximum of three percent of his or her eligible annual payroll. The employer matching contribution for Plan-Year 2016 is included in accrued compensation in the accompanying consolidated balance sheet.

13. Derivative Instruments

The Company is exposed to adverse changes in foreign currency exchange rates, primarily related to sales in the Canadian Dollar and the Euro. As a result, the Company periodically enters into foreign currency forward contracts to minimize the impact of fluctuating exchange rates on results of operations. These derivative instruments have maturities of two months or less and have not qualified for hedge accounting.

In addition, during 2016, the Company entered into a foreign currency option to hedge the Japanese Yen purchase price of a previously announced acquisition expected to close in the quarter ended July 1, 2017. The instrument has a maturity of four months and does not qualify for hedge accounting.

Notional amounts and fair values of derivative instruments are as follows:

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Classification	Notional amount		Fair Value		
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016	
(In thousands)					
Foreign currency option contracts	Other current assets	\$ 396	\$ —	\$ 180	\$ —
Foreign currency forward contracts	Accrued expenses	\$ 7,680	\$ 6,773	\$ 43	\$ 28

Gains associated with derivative instruments are as follows:

Classification	Twelve Months Ended		
	December 31, 2016	January 2, 2016	
(In thousands)			
Derivatives not designated as hedging instruments			
Gain recognized in income	Other income, net	\$ 29	\$ 368

14. Goodwill and other intangible assets

The carrying amount of the goodwill as of December 31, 2016 is \$41.1 million, which resulted from the acquisition of Evolution Robotics, Inc. in October 2012. The Company's goodwill balance as of January 2, 2016 was \$48.8 million, which consisted of the \$41.1 million from the acquisition of Evolution Robotics, Inc. and was assigned to the home robots reporting unit and \$7.7 million related to the acquisition of Nekton Research, LLC completed in September 2008 and was assigned to the defense and security reporting unit. On April 4, 2016, the Company completed the sale of its defense and security business unit and therefore the goodwill balance assigned to the defense and security business unit was written off during the three months ended July 2, 2016. As a result of the divestiture, the Company now has one reporting unit, consumer robots.

In the fourth quarter of 2016, the Company completed its annual goodwill impairment test on the goodwill associated with the acquisition of Evolution Robotics, Inc. and did not identify any 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 31, 2016 and January 2, 2016 consisted of the following:

	December 31, 2016			January 2, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
(In thousands)						
Completed technology	\$ 26,900	\$ 14,693	\$ 12,207	\$ 26,900	\$ 11,236	\$ 15,664
Tradename	100	100	—	100	100	—
Total	\$ 27,000	\$ 14,793	\$ 12,207	\$ 27,000	\$ 11,336	\$ 15,664

Amortization expense related to acquired intangible assets was \$3.5 million for each of the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014. The estimated future amortization expense related to current intangible assets in each of the five succeeding fiscal years is expected to be as follows:

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	(In thousands)
2017	\$ 3,457
2018	3,457
2019	2,818
2020	900
2021	900
Thereafter	675
Total	<u>\$ 12,207</u>

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. Divestiture

On April 4, 2016, the Company completed the sale of the defense and security business unit to iRobot Defense Holdings, Inc., a portfolio company of Arlington Capital Partners. The final purchase price, including adjustments for working capital and indebtedness, was \$24.5 million. The Company recognized a gain of \$0.4 million on the sale of assets, which is recorded as a component of other income (expense), net, for the year ended December 31, 2016. The sale of the defense and security business did not meet the criteria for discontinued operations presentation as it did not represent a strategic shift that had a major effect on the Company's operations and financial results.

The Company and iRobot Defense Holdings, Inc. have also entered into a Transition Services Agreement (TSA), pursuant to which the Company will continue to perform certain functions on iRobot Defense Holdings Inc.'s behalf during a transition period not to exceed 12 months. The TSA provides for the reimbursement of the Company for direct costs incurred in order to provide such functions and is recorded as a component of other income. For the year ended December 31, 2016 the Company recognized \$1.2 million of TSA reimbursement.

16. Restructuring charges

During the three months ended July 2, 2016, the Company decided to fully exit its remote presence business. As a result, the Company incurred restructuring charges of approximately \$1.9 million related to the write-off of certain inventory, workforce reductions and the write-off of certain fixed assets. No restructuring charges were incurred in 2015. In 2014, the Company paid the remaining balance of the restructuring charges incurred in 2013.

The activity for the restructuring program is presented below:

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
	(In thousands)		
Balance at beginning of period	\$ —	\$ —	\$ 675
Charges	1,857	—	—
Utilization	(1,669)	—	(675)
Balance at end of period	\$ 188	\$ —	\$ —

17. Industry Segment, Geographic Information and Significant Customers

Prior to completing the sale of the Company's defense and security business (see Note 15), the Company's reportable segments consisted of the home business unit and the defense and security business unit. Following this divestiture, which was completed on April 4, 2016, the Company now operates as one business segment, consumer robots, the results of which are included in the Company's consolidated statements of income and comprehensive income. The Company's consumer robots products are offered 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.

Geographic Information

For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, sales to non-U.S. customers accounted for 51.2%, 56.0% and 60.9% of total revenue, respectively. For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, sales to the Company's consumer robots distributor in Japan accounted for 12.9%, 13.3%, and 17.0% of total revenue, respectively.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant Customers

For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, U.S. federal government orders, contracts and subcontracts accounted for 0.2%, 5.1% and 4.3% of total revenue, respectively. For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014 approximately 72.8%, 76.6% and 75.7%, respectively, of consumer robot product revenue resulted from sales to 15 customers. For the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, the Company generated an aggregate of 25.2%, 26.0% and 29.8%, respectively, of its total revenue from its consumer robots distributor in Japan (Sales on Demand Corporation) and a network of affiliated European distributors of the Company's consumer robots (Robopolis SAS). For the year ended December 31, 2016, the Company generated 10.4% of total revenue from one of the Company's domestic retailers (Amazon).

18. Quarterly Information (Unaudited)

	Fiscal Quarter Ended							
	December 31, 2016	October 1, 2016	July 2, 2016	April 2, 2016	January 2, 2016	September 26, 2015	June 27, 2015	March 28, 2015
	(In thousands, except per share amounts)							
Revenue	\$ 212,494	\$ 168,610	\$ 148,696	\$ 130,804	\$ 206,420	\$ 143,609	\$ 148,788	\$ 117,961
Gross margin	106,642	81,060	69,652	61,961	95,327	69,858	70,033	53,708
Net income	13,681	19,512	4,814	3,932	19,331	12,793	7,252	4,754
Diluted earnings per share	\$ 0.49	\$ 0.70	\$ 0.17	\$ 0.13	\$ 0.65	\$ 0.42	\$ 0.24	\$ 0.16

During the third quarter of 2016, the Company identified immaterial errors to previously reported other income from an equity investee that was previously accounted for as a cost method investment. The amounts corrected out-of-period in other income resulted in a \$1.4 million increase in the fourth quarter 2016 income before taxes. Of the \$1.4 million adjustment, \$1.2 million relates to prior years and \$0.2 million relates to the first three quarters of 2016. The adjustment did not have a material impact on the reported financial positions or results of operations for the three and twelve months ended December 31, 2016. Additionally, had the errors been recorded in the prior period to which they relate, the impact would not have been material to the reported financial position or results of operations for those periods.

During the fourth quarter of 2015, the Company identified immaterial errors to previously reported revenue due to certain customer allowances recorded at an incorrect rate and a reserve calculation which was overstated. The recorded out of period adjustment to revenue resulted in a \$1.5 million increase in fourth quarter 2015 income before taxes. Of the \$1.5 million adjustment, \$0.7 million relates to prior years and \$0.8 million relates to the first three quarters of 2015. The adjustment did not have a material impact on the reported financial position or results of operations for the three and twelve months ended January 2, 2016. Additionally, had the errors been recorded in the prior periods to which they relate, the impact would not have been material to the reported financial position or results of operations for those periods.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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 31, 2016, 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 31, 2016 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 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 31, 2016, 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) 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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016 and January 2, 2016

Consolidated Statements of Income for the Years ended December 31, 2016, January 2, 2016 and December 27, 2014

Consolidated Statements of Comprehensive Income for the Years ended December 31, 2016, January 2, 2016 and December 27, 2014

Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2016, January 2, 2016 and December 27, 2014

Consolidated Statements of Cash Flows for the Years ended December 31, 2016, January 2, 2016 and December 27, 2014

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>
2.1	Asset Purchase Agreement, dated as of February 2, 2016, by and between iRobot Corporation and iRobot Defense Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 4, 2016 and incorporated by reference herein)
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 Current Report on Form 8-K filed on March 9, 2016 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†	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)
10.3†(1)	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
10.4†	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)
10.5#(1)	Manufacturing and Services Agreement between the Registrant and Gem City Engineering Corporation, dated as of July 27, 2004
10.6†	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)
10.7	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 10.8 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2016 and incorporated by reference herein)
10.8†	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)

<u>Exhibit Number</u>	<u>Description</u>
10.9†	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)
10.10†	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)
10.11#	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)
10.12	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)
10.13	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)
10.14#*	Manufacturing Services Agreement between the Registrant and Kin Yat Industrial Company Limited, dated as of January 22, 2014 (as amended)
10.15†	Evolution Robotics, Inc. 2007 Stock Plan and forms of agreements thereunder (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2014 and incorporated by reference herein)
10.16†	2015 Stock Option and Incentive Plan and forms of agreements thereunder (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2015 and incorporated by reference herein)
10.17	Separation Agreement by and between the Registrant and Paolo Pirjanian, dated as of July 2, 2015 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 26, 2015 and incorporated by reference herein)
10.18	Master Confirmation - Uncollared Accelerated Share Repurchase by and between the Registrant and J.P. Morgan Securities LLC, dated March 1, 2016 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 and incorporated by reference herein)
10.19†	Form of Performance-Based Restricted Stock Unit Award Agreement under the 2015 Stock Option Incentive Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 and incorporated by reference herein)
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 31, 2016 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 17, 2017

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 17, 2017.

<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/ DEBORAH G. ELLINGER
Deborah G. Ellinger

Director

/s/ MOHAMAD ALI
Mohamad Ali

Director

/s/ ANDREW MILLER
Andrew Miller

Director

/s/ ELISHA FINNEY
Elisha Finney

Director

/s/ MICHAEL BELL
Michael Bell

Director

EXHIBIT INDEX

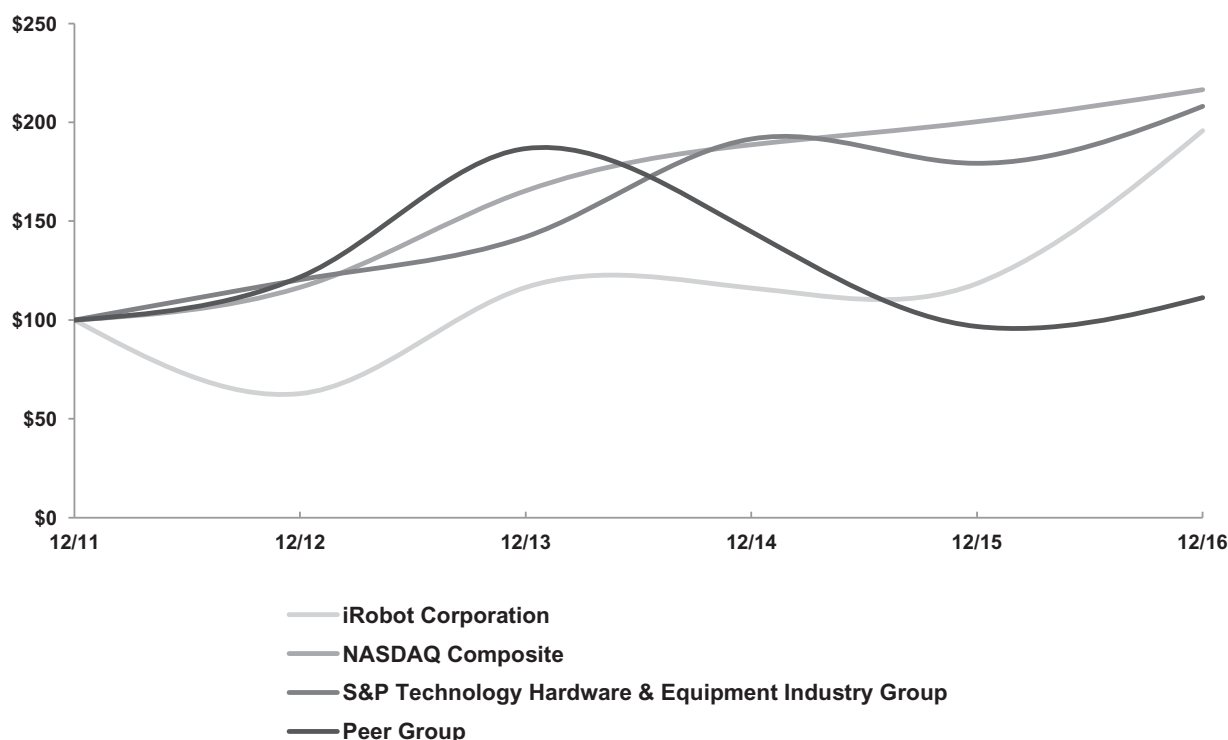
<u>Exhibit Number</u>	<u>Description</u>
2.1	Asset Purchase Agreement, dated as of February 2, 2016, by and between iRobot Corporation and iRobot Defense Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 4, 2016 and incorporated by reference herein)
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 Current Report on Form 8-K filed on March 9, 2016 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†	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)
10.3†(1)	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
10.4†	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)
10.5#(1)	Manufacturing and Services Agreement between the Registrant and Gem City Engineering Corporation, dated as of July 27, 2004
10.6†	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)
10.7	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 10.8 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2016 and incorporated by reference herein)
10.8†	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)
10.9†	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)
10.10†	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)
10.11#	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)
10.12	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)
10.13	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)
10.14#*	Manufacturing Services Agreement between the Registrant and Kin Yat Industrial Company Limited, dated as of January 22, 2014 (as amended)
10.15†	Evolution Robotics, Inc. 2007 Stock Plan and forms of agreements thereunder (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2014 and incorporated by reference herein)
10.16†	2015 Stock Option and Incentive Plan and forms of agreements thereunder (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2015 and incorporated by reference herein)
10.17	Separation Agreement by and between the Registrant and Paolo Pirjanian, dated as of July 2, 2015 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 26, 2015 and incorporated by reference herein)
10.18	Master Confirmation - Uncollared Accelerated Share Repurchase by and between the Registrant and J.P. Morgan Securities LLC, dated March 1, 2016 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 and incorporated by reference herein)

- 10.19† Form of Performance-Based Restricted Stock Unit Award Agreement under the 2015 Stock Option Incentive Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 and incorporated by reference herein)
- 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 31, 2016 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 the cumulative 5-Year total return of holders of iRobot Corporation's common stock with the cumulative total returns of the NASDAQ Composite index, the S&P Technology Hardware & Equipment Industry Group index and a customized peer group of fourteen companies that includes: 3d Systems Corp, Faro Technologies Inc., Fitbit Inc., Gopro Inc., Harmonic Inc., Invensense Inc., Logitech International Sa, Nautilus Inc., Netgear Inc., Novanta Inc., Plantronics Inc., Tivo Corp, Trimble Inc. and Universal Electronics Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on 12/31/2011 and tracks it through 12/31/2016.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among iRobot Corporation, the NASDAQ Composite Index,
S&P Technology Hardware & Equipment Industry Group and Peer Group



*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/11	12/12	12/13	12/14	12/15	12/16
iRobot Corporation	100.00	62.78	116.48	116.31	118.59	195.81
NASDAQ Composite	100.00	116.41	165.47	188.69	200.32	216.54
S&P Technology Hardware & Equipment Industry Group	100.00	120.39	142.20	191.72	179.18	208.09
Peer Group	100.00	121.72	186.77	144.53	96.74	111.16

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
100 Northern Avenue
Boston, Massachusetts 02110
Phone: 617.570.1000

**Independent Registered
Public Accounting Firm**

PricewaterhouseCoopers LLP
101 Seaport Boulevard
Boston, Massachusetts 02110
Phone: 617.530.5000

Common Stock Information

Our common stock is traded on the Nasdaq Global
Select Market under the symbol IRBT.

Investor Information

Elise P. Caffrey
SVP, 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

Mohamad Ali
Director, Strategy and Finance Committee Chair

Michael Bell
Director

Dr. Ronald Chwang
Director

Gail Deegan
Director, Audit Committee Chair

Deborah G. Ellinger
Lead Independent Director, Nominating and
Corporate Governance Committee Chair

Elisha Finney
Director

Andrea Geisser
Director, Compensation and Talent Committee
Chair

Andrew Miller
Director

Michelle Stacy
Director

Executive Team

Colin M. Angle
Chief Executive Officer

Alison Dean
Executive Vice President, Chief Financial Officer
and Treasurer

Christian Cerda
Chief Operating Officer

Russell Campanello
Executive Vice President, Human Resources and
Corporate Communications

Glen D. Weinstein
Executive Vice President, Chief Legal Officer

Tim Saeger
Executive Vice President, Engineering

iRobot Mission

Empowering People To Do More



Corporate Headquarters

8 Crosby Drive
Bedford, MA 01730
USA

Phone: 781.430.3000
Fax: 781.430.3001

www.irobot.com
info@irobot.com