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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2017

OR

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

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

iROBOT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the Registrant’s Common Stock as of October 30, 2017 was 27,874,550.

iROBOT CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2017
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iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 241,786	\$ 214,523
Short term investments	36,442	39,930
Accounts receivable, net of allowances	76,956	72,909
Unbilled revenue	1,668	139
Inventory	92,813	50,578
Other current assets	18,395	5,591
Total current assets	468,060	383,670
Property and equipment, net	37,093	27,532
Deferred tax assets	35,088	30,585
Goodwill	41,041	41,041
Intangible assets, net	15,315	12,207
Other assets	14,064	12,877
Total assets	\$ 610,661	\$ 507,912
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 88,798	\$ 67,281
Accrued expenses	28,949	19,854
Accrued compensation	23,773	21,015
Deferred revenue and customer advances	4,607	4,486
Total current liabilities	146,127	112,636
Long term liabilities	8,042	6,320
Total liabilities	154,169	118,956
Commitments and contingencies (Note 7)		
Preferred stock, 5,000,000 shares authorized and none outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 27,874,351 and 27,237,870 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	279	272
Additional paid-in capital	182,786	161,885
Retained earnings	273,368	226,950
Accumulated other comprehensive income (loss)	59	(151)
Total stockholders' equity	456,492	388,956
Total liabilities and stockholders' equity	\$ 610,661	\$ 507,912

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenue	\$ 205,399	\$ 168,610	\$ 557,014	\$ 448,110
Cost of revenue (1)	103,016	87,550	277,397	235,437
Gross margin	102,383	81,060	279,617	212,673
Operating expenses:				
Research and development (1)	28,843	19,672	80,518	57,944
Selling and marketing (1)	28,646	17,925	91,344	66,972
General and administrative (1)	21,002	16,012	58,137	48,919
Total operating expenses	78,491	53,609	229,999	173,835
Operating income	23,892	27,451	49,618	38,838
Other income, net	2,601	523	4,290	2,142
Income before income taxes	26,493	27,974	53,908	40,980
Income tax expense	4,411	8,462	7,565	12,722
Net income	<u>\$ 22,082</u>	<u>\$ 19,512</u>	<u>\$ 46,343</u>	<u>\$ 28,258</u>
Net income per share:				
Basic	\$ 0.80	\$ 0.72	\$ 1.68	\$ 1.01
Diluted	\$ 0.76	\$ 0.70	\$ 1.61	\$ 0.99
Number of weighted average common shares used in calculations per share				
Basic	27,739	27,237	27,520	27,878
Diluted	28,916	27,778	28,719	28,423

(1) Total stock-based compensation recorded in the three and nine months ended September 30, 2017 and October 1, 2016 included in the above figures breaks down by expense classification as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Cost of revenue	\$ 274	\$ 184	\$ 751	\$ 555
Research and development	1,261	1,028	3,508	2,598
Selling and marketing	728	444	1,869	1,316
General and administrative	2,771	2,247	7,941	7,312

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	\$ 22,082	\$ 19,512	\$ 46,343	\$ 28,258
Other comprehensive income:				
Net foreign currency translation adjustments	3	—	(3)	—
Net unrealized gains (losses) on cash flow hedges, net of tax	(95)	—	126	—
Net losses on cash flow hedge reclassified into earnings, net of tax	17	—	36	—
Net unrealized gains (losses) on marketable securities, net of tax	21	(66)	51	216
Total comprehensive income	\$ 22,028	\$ 19,446	\$ 46,553	\$ 28,474

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

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

	Nine Months Ended	
	September 30, 2017	October 1, 2016
Cash flows from operating activities:		
Net income	\$ 46,343	\$ 28,258
Adjustments to reconcile net income to net cash provided by operating activities, net of the effects of acquisitions:		
Depreciation and amortization	14,523	10,171
Loss on disposal of property and equipment	46	205
Loss on equity method investment	32	—
Impairment on cost method investment	155	—
Gain on sale of business unit	—	(433)
Gain on sale of cost method investment	(1,056)	(634)
Gain on business acquisition	(2,243)	—
Stock-based compensation	14,069	11,781
Deferred income taxes, net	(3,226)	6,314
Tax benefit of excess stock based compensation deductions	—	(1,115)
Non-cash director deferred compensation	49	66
Changes in operating assets and liabilities — (use) source		
Accounts receivable	(9,429)	30,781
Unbilled revenue	(1,528)	198
Inventory	(23,944)	(11,472)
Other assets	(11,099)	(1,579)
Accounts payable	20,824	(2,261)
Accrued expenses	6,085	(2,046)
Accrued compensation	949	1,990
Deferred revenue and customer advances	(965)	(193)
Long term liabilities	1,513	(2,997)
Net cash provided by operating activities	51,098	67,034
Cash flows from investing activities:		
Additions of property and equipment	(16,630)	(8,352)
Change in other assets	(1,374)	(435)
Proceeds from sale of business unit	—	23,520
Cash paid for business acquisition, net of cash acquired	(16,524)	—
Purchases of investments	(7,034)	(16,556)
Sales and maturities of investments	10,500	11,502
Proceeds from sale of cost method investment	1,056	634
Net cash provided by (used in) investing activities	(30,006)	10,313
Cash flows from financing activities:		
Proceeds from stock option exercises	8,990	4,496
Income tax withholding payment associated with restricted stock vesting	(2,974)	(1,300)
Stock repurchases	—	(97,021)
Tax benefit of excess stock-based compensation deductions	—	1,115
Net cash provided by (used in) financing activities	6,016	(92,710)
Effect of exchange rate changes on cash and cash equivalents	155	—
Net increase (decrease) in cash and cash equivalents	27,263	(15,363)
Cash and cash equivalents, at beginning of period	214,523	179,915
Cash and cash equivalents, at end of period	<u>\$ 241,786</u>	<u>\$ 164,552</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 18,338	\$ 11,818
Non-cash investing and financing activities:		
Transfer of inventory to property and equipment	\$ —	\$ 5
Additions of property and equipment included in accounts payable	\$ 2,058	\$ 694

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

iROBOT CORPORATION
Notes To Consolidated Financial Statements
(unaudited)

1. Description of Business

iRobot Corporation ("iRobot" or the "Company") designs and builds robots that empower people to do more. The Company develops robotic technology and applies it to produce and market consumer 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 unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP).

The accompanying unaudited financial data as of September 30, 2017, and for the three and nine months ended September 30, 2017 and October 1, 2016 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end balance sheet data were derived from audited financial statements, but do not include all disclosures required by GAAP. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 17, 2017.

In the opinion of management, all adjustments necessary to state fairly the Company's statement of financial position as of September 30, 2017 and results of operations, comprehensive income and cash flows for the periods ended September 30, 2017 and October 1, 2016 have been made. The results of operations, comprehensive income and cash flows for any interim period are not necessarily indicative of the operating results, comprehensive income and cash flows for the full fiscal year or any future periods.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, management evaluates these estimates and judgments, in particular those related to revenue recognition (specifically sales returns and other allowances); valuation allowances; assumptions used in valuing goodwill and intangible assets; assumptions used in accounting for business combinations; assumptions used in valuing stock-based compensation instruments, evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual results may differ from the Company's estimates. The Company bases these estimates and judgments on historical experience and various other factors that the Company believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenue and expenses that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty.

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.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-12, "Derivatives and Hedging," that was created to better align accounting rules with a company's risk management activities, better reflect the economic results of hedging in the financial statements, and simplify hedge accounting treatment. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. For cash flow hedges existing at the adoption date, the standard requires adoption on a modified retrospective basis with a cumulative-effect adjustment to the consolidated balance sheet as of the beginning of the

year of adoption. The amendments to presentation guidance and disclosure requirements are required to be adopted prospectively. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Stock Compensation – Scope of Modification Accounting," that clarifies that all changes to share-based payment awards are not necessarily accounted for as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of the change in terms or conditions. This guidance is effective prospectively beginning January 1, 2018, with early adoption permitted. This guidance will apply to any future modifications. The Company does not believe the standard will have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other." ASU 2017-04 eliminates step 2 from the goodwill impairment test, instead requiring that an entity 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 the standard will have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations; Clarifying the Definition of a Business." ASU 2017-01 clarifies 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 the standard on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes: 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 the standard 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 the standard on its 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 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. The Company adopted ASU 2016-09 effective January 1, 2017. As of the adoption date, this standard did not have a material impact on the Company's consolidated financial statements. Upon the adoption, the Company elected to account for forfeitures of share-based payments as they occur prospectively. For the three and nine months ended September 30, 2017, the Company recorded a tax benefit of \$4.7 million and \$10.7 million, respectively, related to share-based compensation in accordance with ASU 2016-09.

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 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 Company

adopted ASU 2015-11 effective January 1, 2017. 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 was originally 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. The standard will be effective for the Company beginning in the first quarter of 2018. The Company will adopt the standard using the modified retrospective method.

The Company has and is continuing to conduct a comprehensive analysis of the provisions of the new standard and the impact it will have on the Company's processes, policies, and consolidated financial statements. The Company is currently finalizing its conclusions on the number of its performance obligations. Once the Company has concluded, it will finalize the standalone selling price for each performance obligation and assess the allocation of discounts and variable consideration to each. The new revenue standard is expected to have a minor impact on the timing of revenue recognized in the Company's consolidated financial statements.

The Company does not expect the provisions of the new standard to impact the manner in which it treats certain costs to fulfill contracts (i.e., shipping and handling costs) and costs to acquire new contracts (i.e., commissions). Under the new standard, the Company will elect the practical expedient on shipping and handling costs and continue to treat these costs as fulfillment costs and expense as incurred. Further, commissions will continue to be expensed as incurred as the impact to the consolidated financial statements is immaterial. The new standard will also result in enhanced revenue related disclosures.

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.

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 11), 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, the Company introduced its 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 which is the estimated life of the robot.

Sales to retailers 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 and certain international distributors. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights of return, rebates, and price protection, as well as discounts and promotions, at the time the related sale is recorded. The estimates for rights of return are directly based on specific terms and conditions included in the 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. 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 adjustments for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates. As of September 30, 2017, the Company had reserves for product returns of \$28.4 million, discounts and promotions of \$20.0 million and price protection of \$3.2 million. As of December 31, 2016, the Company had reserves for product returns of \$27.7 million, discounts and promotions of \$21.9 million and price protection of \$1.5 million.

Prior to the Company's divestiture of the defense and security business unit on April 4, 2016 (see Note 11), 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 September 30, 2017, fiscal years 2015 and 2016 are open for audit by the DCAA. In the situation where the Company's anticipated actual 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.

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. The Company has elected to account for forfeitures as they occur, rather than applying an estimated forfeiture rate, following its adoption of ASU 2016-09 in the first quarter of 2017.

Net Income Per Share

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

	Three Months Ended		Nine Months Ended	
	(In thousands, except per share amounts)			
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	\$ 22,082	\$ 19,512	\$ 46,343	\$ 28,258
Basic weighted-average shares outstanding	27,739	27,237	27,520	27,878
Dilutive effect of employee stock options and restricted shares	1,177	541	1,199	545
Diluted weighted-average shares outstanding	28,916	27,778	28,719	28,423
Basic income per share	\$ 0.80	\$ 0.72	\$ 1.68	\$ 1.01
Diluted income per share	\$ 0.76	\$ 0.70	\$ 1.61	\$ 0.99

Restricted stock units and stock options representing approximately 0.0 million and 0.5 million shares of common stock for the three-month periods ended September 30, 2017 and October 1, 2016, respectively, and approximately 0.0 million and 0.6 million shares of common stock for the nine-month periods ended September 30, 2017 and October 1, 2016, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been antidilutive.

Income Taxes

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 in each jurisdiction. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, each quarter, the Company considers future reversals of existing taxable temporary differences, estimated future taxable income and taxable income in prior carryback year(s), as well as feasible tax planning strategies in each jurisdiction to determine if the deferred tax assets are realizable. The Company's income tax provision and its assessment of the ability to realize its deferred tax assets involve significant judgments and estimates. As of September 30, 2017 and December 31, 2016, the Company did not record a valuation allowance against its deferred tax assets.

The Company recorded a tax provision of \$4.4 million and \$8.5 million for the three months ended September 30, 2017 and October 1, 2016, respectively. The \$4.4 million provision for the three months ended September 30, 2017 resulted in an effective income tax rate of 16.6%. The \$8.5 million provision for the three months ended October 1, 2016 resulted in an effective income tax rate of 30.2%. The difference between the effective income tax rate of 16.6% for the three months ended September 30, 2017 and 30.2% for the three months ended October 1, 2016 was primarily due to a \$4.7 million tax benefit related to share-based compensation in accordance with ASU 2016-09, adopted in the first quarter of 2017, and the jurisdictional mix of earnings.

The Company recorded a tax provision of \$7.6 million and \$12.7 million for the nine months ended September 30, 2017 and October 1, 2016, respectively. The \$7.6 million provision for the nine months ended September 30, 2017 resulted in an effective income tax rate of 14.0%. The \$12.7 million provision for the nine months ended October 1, 2016 resulted in an effective income tax rate of 31.0%. The difference between the effective income tax rate of 14.0% for the nine months ended September 30, 2017 and 31.0% for the nine months ended October 1, 2016 was primarily due to a \$10.7 million tax benefit related to share-based compensation in accordance with ASU 2016-09, adopted in the first quarter of 2017, and the jurisdictional mix of earnings.

The statute of limitations for examinations by the Internal Revenue Service is closed for tax years prior to 2014.

Financial Instruments and Hedging Activities

The Company utilizes derivative instruments to hedge specific financial risks including foreign exchange risk. The Company does not engage in speculative hedging activity. In order to account for a derivative instrument as a hedge, specific criteria must be met, including: (i) ensuring at the inception of the hedge that formal documentation exists for both the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge and (ii) at the inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value attributed to the hedged risk during the period that the hedge is designated. Further, an assessment of effectiveness is required whenever financial statements or earnings are reported. Absent meeting these criteria, changes in fair value are recognized in other income, net, in the consolidated statements of income. Once the underlying forecasted transaction is realized, the gain or loss from the derivative designated as a hedge of the transaction is reclassified from accumulated other comprehensive income (loss) to the statement of income, in revenue. Any ineffective portion of the derivatives designated as cash flow hedges is recognized in current earnings.

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.

The Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2017, were as follows:

	Fair Value Measurements as of September 30, 2017		
	Level 1	Level 2 (1)	Level 3
	(In thousands)		
<u>Description</u>			
Assets:			
Cash and cash equivalents			
Money market funds	\$ 10,998	\$ —	\$ —
Short term investments			
Corporate and government bonds	—	36,442	—
Other current assets			
Derivative instruments (Note 6)	—	849	—
Total assets measured at fair value	<u>\$ 10,998</u>	<u>\$ 37,291</u>	<u>\$ —</u>
Liabilities:			
Accrued expenses			
Derivative instruments (Note 6)	\$ —	\$ 315	\$ —
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 315</u>	<u>\$ —</u>

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

	Fair Value Measurements as of December 31, 2016		
	Level 1	Level 2 (1)	Level 3
	(In thousands)		
<u>Description</u>			
Assets:			
Cash and cash equivalents			
Money market funds	\$ 156,980	\$ —	\$ —
Short term investments			
Corporate and government bonds	—	39,930	—
Other current assets			
Derivative instruments (Note 6)	—	180	—
Total assets measured at fair value	<u>\$ 156,980</u>	<u>\$ 40,110</u>	<u>\$ —</u>
Liabilities:			
Accrued expenses			
Derivative instruments (Note 6)	\$ —	\$ 43	\$ —
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 43</u>	<u>\$ —</u>

- (1) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

3. Inventory

Inventory consists of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Raw materials	\$ 2,928	\$ 4,717
Finished goods	89,885	45,861
	<u>\$ 92,813</u>	<u>\$ 50,578</u>

4. Stock Option Plans and Stock-Based Compensation

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"). The Company also has restricted stock units outstanding under the 2005 Plan and the 2015 Plan. 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. The grant of any full value award (e.g., restricted stock units) under the 2015 Plan is counted against the share reserve for future grants under the 2015 Plan as 1.61 shares for every one share actually subject to such award. As of September 30, 2017, there were 895,418 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, 60 or 90 days from employee termination. The exercise price of stock options is 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 one to four years.

On September 8, 2017, the Company issued 79,300 time-based restricted stock unit grants to certain employees.

5. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Accrued warranty	\$ 10,279	\$ 8,464
Accrued sales and other taxes payable	5,569	482
Accrued customer deposits and payables	3,016	4,682
Accrued sales and marketing	2,911	404
Accrued accounting fees	1,030	686
Accrued direct fulfillment costs	634	1,722
Accrued federal and state income taxes	476	1,059
Accrued other	5,034	2,355
	<u>\$ 28,949</u>	<u>\$ 19,854</u>

Accrued compensation consists of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Accrued bonus	\$ 15,079	\$ 14,226
Accrued other compensation	8,694	6,789
	<u>\$ 23,773</u>	<u>\$ 21,015</u>

6. Derivative Instruments

The Company operates internationally and, in the normal course of business, is exposed to fluctuations in foreign currency exchange rates. The foreign currency exposures typically arise from transactions denominated in currencies other than the functional currency of the Company's operations, primarily the Japanese Yen, Canadian dollar and the Euro. The Company uses derivative instruments that are designated in cash flow hedge relationships to reduce or eliminate the effects of foreign exchange rate changes on purchases and sales. These contracts typically have maturities of ten months or less. At September 30, 2017 and December 31, 2016, the Company had outstanding cash flow hedges with a total notional value of \$17.7 million and \$0.0 million, respectively.

The Company also enters into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts typically have maturities of two months or less. At September 30, 2017 and December 31, 2016, we had outstanding economic hedges with a total notional value of \$27.5 million and \$8.1 million, respectively.

The fair values of derivative instruments are as follows:

		Fair Value	
	Classification	September 30, 2017	December 31, 2016
(In thousands)			
Derivatives not designated as hedging instruments:			
Foreign currency option contracts	Other current assets	\$ —	\$ 180
Foreign currency forward contracts	Other current assets	711	—
Foreign currency forward contracts	Accrued expenses	315	43
Derivatives designated as cash flow hedges:			
Foreign currency forward contracts	Other current assets	\$ 138	\$ —

Gains (losses) associated with derivative instruments not designated as hedging instruments are as follows:

		Three Months Ended		Nine Months Ended	
		September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Classification		(In thousands)			
Gain (loss) recognized in income	Other income, net	\$ 9	\$ (18)	\$ (495)	\$ (392)

The following tables reflect the effect of foreign exchange forward contracts that are designated as cash flow hedging instruments for the three and nine months ended September 30, 2017 and October 1, 2016 (in thousands):

Gain (loss) recognized in OCI on Derivative (1)		Effective Portion			Ineffective Portion		
		Gain (loss) reclassified from accumulated OCI into income (2)			Gain (loss) recognized in income (3)		
Three months ended		Three months ended			Three months ended		
September 30, 2017	October 1, 2016	Classification	September 30, 2017	October 1, 2016	Classification	September 30, 2017	October 1, 2016

Foreign currency forward contracts	\$	(21)	\$	—	Revenue	\$	(39)	\$	—	Other income, net	\$	—	\$	—
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Gain (loss) recognized in OCI on Derivative (1)		Effective Portion			Ineffective Portion		
		Gain (loss) reclassified from accumulated OCI into income (2)			Gain (loss) recognized in income (3)		
Nine months ended		Nine months ended			Nine months ended		
September 30, 2017	October 1, 2016	Classification	September 30, 2017	October 1, 2016	Classification	September 30, 2017	October 1, 2016

Foreign currency forward contracts	\$	200	\$	—	Revenue	\$	(58)	\$	—	Other income, net	\$	(5)	\$	—
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- (1) The amount represents the change in fair value of derivative contracts due to changes in spot rates.
(2) The amount represents reclassification from other comprehensive income to earnings that occurs when the hedged item affects earnings.
(3) The amount represents the change in fair value of derivative contracts due to changes in the forward rates. No gains or losses were reclassified as a result of discontinuance of cash flow hedges.

7. Commitments and Contingencies

Lease Obligations

Rental expense under operating leases for the three months ended September 30, 2017 and October 1, 2016 were \$2.2 million and \$1.6 million, respectively, and for the nine months ended September 30, 2017 and October 1, 2016 were \$6.1 million and \$4.4 million, respectively. Future minimum rental payments under operating leases were as follows as of September 30, 2017:

	Operating Leases (In thousands)
Remainder of 2017	\$ 1,287
2018	5,279
2019	5,146
2020	5,120
2021	5,259
Thereafter	39,275
Total minimum lease payments	\$ 61,366

During the three months ended September 30, 2017, the Company amended its lease for its corporate headquarters and extended the lease term until 2030.

Outstanding Purchase Orders

At September 30, 2017, the Company had outstanding purchase orders aggregating approximately \$181.2 million. These purchase orders, the majority of which are with contract manufacturers for the purchase of inventory in the normal course of business, are for manufacturing and non-manufacturing related goods and services, and are generally cancelable without penalty. In circumstances where the Company determines that it has financial exposure associated with any of these commitments, the Company records 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 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 September 30, 2017 and December 31, 2016, respectively.

Warranty

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

Activity related to the warranty accrual was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
	(In thousands)			
Balance at beginning of period	\$ 10,505	\$ 6,622	\$ 8,464	\$ 6,907
Liability assumed (1)	—	—	2,186	—
Provision	2,433	2,823	6,051	5,619
Warranty usage (2)	(2,659)	(1,598)	(6,422)	(4,679)
Balance at end of period	<u>\$ 10,279</u>	<u>\$ 7,847</u>	<u>\$ 10,279</u>	<u>\$ 7,847</u>

- (1) Warranty assumed as part of the acquisition of the iRobot-related distribution business of Sales On Demand Corporation (see Note 9).
(2) Warranty usage includes costs incurred for warranty obligations and, for the nine month period ended October 1, 2016, 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.

8. Industry Segment, Geographic Information and Significant Customers

Prior to completing the sale of the Company's defense and security business (see Note 11), 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 and one distributor throughout the United States, to various countries through international distributors and retailers, and through the Company's on-line store.

Geographic Information

For the three months ended September 30, 2017 and October 1, 2016, sales to non-U.S. customers accounted for 57.3% and 60.9% of total revenue, respectively, and sales to non-U.S. customers for the nine months ended September 30, 2017 and October 1, 2016 accounted for 51.5% and 62.4% of total revenue, respectively.

Significant Customers

For the three months ended September 30, 2017, the Company generated 14.3% of total revenue from a network of affiliated European distributors (Robopolis SAS) and 11.0% of total revenue from one of its domestic retailers (Amazon). For the three months ended October 1, 2016, the Company generated 13.3% and 12.0% of total revenue from its distributor in Japan (Sales On Demand Corporation) and a network of affiliated European distributors (Robopolis SAS), respectively. On April 3, 2017, the Company acquired the iRobot-related distribution business of Sales On Demand Corporation (see Note 9). On October 2, 2017, the Company acquired Robopolis SAS (see Note 12).

For the nine months ended September 30, 2017, the Company generated 13.2% of total revenue from a network of affiliated European distributors (Robopolis SAS) and 11.9% of total revenue from one of its domestic retailers (Amazon). For the nine months ended October 1, 2016, the Company generated 13.5% and 13.1% of total revenue from its distributor in Japan (Sales On Demand Corporation) and a network of affiliated European distributors (Robopolis SAS), respectively. On April 3, 2017, the Company acquired the iRobot-related distribution business of Sales On Demand Corporation (see Note 9). On October 2, 2017, the Company acquired Robopolis SAS (see Note 12).

9. Business Combination

On April 3, 2017, the Company closed its acquisition of the iRobot-related distribution business of Sales On Demand Corporation (SODC) for approximately \$16.6 million in cash, equal to the book value of the acquired assets. The acquisition will better enable the Company to maintain its leadership position and accelerate the growth of its business in Japan through direct control of pre- and post-sales market activities including sales, marketing, branding, channel relationships and customer service. It also expands the Company's presence and customer outreach opportunities in Japan. The acquisition was a stock purchase. The results of operations for this acquisition have been included in the Company's operating results since the acquisition date. The Company has not separately presented revenue or the results of operations for this acquisition, from the date of acquisition, as the impact is neither material nor significant to the consolidated financial results. The Company has also not furnished pro forma financial information related to this acquisition because such information is not material, individually or in the aggregate, to the financial results.

During the three months ended September 30, 2017, the Company finalized the purchase price allocation and made measurement period adjustments to the provisional amounts reported as the estimated fair values of assets acquired. Compared to the provisional value reported as of July 1, 2017, the fair values presented in the table below reflect a decrease to the returns reserve of \$7.4 million, a decrease to related inventory of \$3.6 million and a decrease to related deferred tax assets of \$1.3 million. These adjustments resulted in a \$2.2 million non-taxable gain on business acquisition which represents the excess of the fair value of the net assets acquired over the purchase price. The gain on business acquisition was recorded within other income, net in the consolidated statements of income during the three months ended September 30, 2017. The Company believes that the gain on business acquisition was due to the transaction not being subjected to a competitive bidding process and the purchase price being determined based on the net book value of the net assets acquired.

The following table summarizes the final allocation of the purchase price (in thousands):

Cash	\$	125
Accounts receivable, net (1)		(5,496)
Inventories		18,290
Other assets		2,065
Deferred tax assets, net		409
Goodwill		—
Intangible assets		8,640
Total assets acquired		24,033
Accrued expenses and other current liabilities		(4,450)
Other liabilities		(691)
Total liabilities assumed		(5,141)
Net assets acquired	\$	18,892
Gain on business acquisition		(2,243)
Total purchase price	\$	16,649

(1) The accounts receivable balance reflects reserves for product returns, discounts and promotions assumed as part of the acquisition.

The following table reflects the fair value of the acquired identifiable intangible assets and related estimates of useful lives:

	Useful Life	Fair Value (in thousands)
Customer relationships	13 Years	\$ 4,490
Reacquired distribution rights	9 Months	4,150
Total		\$ 8,640

10. Goodwill and Other Intangible Assets

Goodwill

The carrying amount of the Company's goodwill was \$41.0 million at September 30, 2017 and December 31, 2016.

Other Intangible Assets

Other intangible assets include the value assigned to completed technology and a trade name acquired with the acquisition of Evolution Robotics, and the value assigned to customer relationships and the reacquired distribution rights acquired with the acquisition of the iRobot-related distribution business of SODC. The estimated useful lives for all of these intangible assets are nine months to thirteen years. The intangible assets are being amortized on a straight-line basis, which is consistent with the pattern that the economic benefits of the intangible assets are expected to be utilized.

Intangible assets at September 30, 2017 and December 31, 2016 consisted of the following:

	September 30, 2017			December 31, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
(In thousands)						
Completed technology	\$ 26,900	\$ 17,286	\$ 9,614	\$ 26,900	\$ 14,693	\$ 12,207
Tradename	100	100	—	100	100	—
Customer relationships	4,490	173	4,317	—	—	—
Reacquired distribution rights	4,150	2,766	1,384	—	—	—
Total	<u>\$ 35,640</u>	<u>\$ 20,325</u>	<u>\$ 15,315</u>	<u>\$ 27,000</u>	<u>\$ 14,793</u>	<u>\$ 12,207</u>

Amortization expense related to acquired intangible assets was \$2.3 million and \$0.9 million for the three months ended September 30, 2017 and October 1, 2016, respectively. Amortization expense related to acquired intangible assets was \$5.5 million and \$2.6 million for the nine months ended September 30, 2017 and October 1, 2016, respectively. The estimated future amortization expense is expected to be as follows (in thousands):

Remainder of 2017	\$ 2,334
2018	3,803
2019	3,163
2020	1,245
2021	1,245
Thereafter	3,525
Total	<u>\$ 15,315</u>

11. Divestiture

On April 4, 2016, the Company completed the sale of its 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. The sale of its 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. also entered into a Transition Services Agreement (TSA), pursuant to which the Company continued to perform certain functions on iRobot Defense Holdings Inc.'s behalf during a transition period not to exceed 12 months. The TSA provided for the reimbursement of the Company for direct costs incurred in order to provide such functions and was recorded as a component of other income. The transition period was completed during the three months ended April 1, 2017.

12. Subsequent Event

On October 2, 2017, the Company closed the previously-announced acquisition of its largest European distributor, Robopolis SAS (Robopolis), through the acquisition of the issued and outstanding capital shares of Robopolis. At the closing, the Company paid approximately \$170.1 million in cash offset by acquired cash of approximately \$31.6 million held by Robopolis and its subsidiaries at closing, resulting in a net cash outlay of approximately \$138.4 million. Pursuant to the Share Purchase Agreement, \$16.0 million of the purchase price was placed into an escrow account to settle certain claims for indemnification for breaches or inaccuracies in Robopolis' and its shareholders' representations and warranties, covenants and agreements, and approximately \$2.4 million of the purchase price was deposited in escrow to satisfy, in part, any payments due to iRobot for certain post-closing purchase price adjustments.

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

The following discussion of the financial condition and results of operations of iRobot Corporation should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2016, which has been filed with the SEC. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the “safe harbor” created by those sections. In particular, statements contained in this Quarterly Report on Form 10-Q, and in the documents incorporated by reference into this Quarterly Report on Form 10-Q, that are not historical facts, including, but not limited to statements concerning new product sales, product development and offerings, including our Roomba and Braava products, our competition, our strategy, our market position, market acceptance of our products, seasonal factors, revenue recognition (including our expectations related to the impact of adoption of new revenue recognition standards), 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, compensation costs, our projected income tax rate, our credit and letter of credit facilities, our valuations of investments, the impact of our acquisition of Robopolis, valuation and composition of our stock-based awards, and liquidity, constitute forward-looking statements and are made under these safe harbor provisions. Some of the forward-looking statements can be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “will,” “should,” “could,” “seek,” “intends,” “plans,” “estimates,” “anticipates,” or other comparable terms. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, including those risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 31, 2016, as well as elsewhere in this Quarterly Report on Form 10-Q. We urge you to consider the risks and uncertainties discussed in our Annual Report on Form 10-K and in Item 1A contained herein in evaluating our forward-looking statements. We have no plans to update our forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

Overview

iRobot designs and builds robots that empower people to do more both inside and outside of the home. iRobot's portfolio of solutions features proprietary technologies for the connected home and advanced concepts in cleaning, mapping and navigation. For more than 25 years, we have been a pioneer in the robotics and consumer products industries. 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.

As of September 30, 2017, we had 798 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 growth we expect in the market for robot-based consumer products.

On April 3, 2017, we closed the acquisition of the iRobot-related distribution business of Sales On Demand Corporation (SODC). The final purchase price, equal to the book value of the acquired assets, was \$16.6 million. Through direct control of sales, marketing, branding, channel relationships and customer service, we expect to maintain our leadership position in the consumer-robots market and accelerate growth of our business in Japan.

On October 2, 2017, we closed the previously-announced acquisition of our largest European distributor, Robopolis SAS (Robopolis). At the closing, we paid approximately \$170.1 million in cash offset by acquired cash of approximately \$31.6 million held by Robopolis and its subsidiaries at closing, resulting in a net cash outlay of approximately \$138.4 million. We anticipate that the acquisition will enhance our distribution network, ensure global brand consistency and better serve the needs of European consumers. We expect to drive continued growth in the region through a consistent approach to all market activities including sales, marketing, branding, channel relationships and customer service.

Our continued success depends upon our ability to respond to a number of challenges in the consumer robots market. We believe the most significant of these include increasing competition, and our ability to successfully develop and introduce products and product enhancements into both new and existing markets.

During the nine month period ended September 30, 2017, we launched the Roomba 890 and 690, bringing Wi-Fi connectivity to our lower price point robots. During the nine month period ended October 1, 2016, we launched the Braava jet mopping robot. The Braava jet was available on our website and retail locations in the U.S during the second quarter of 2016, and became available in China, Japan and EMEA in the third quarter of 2016.

During the three- and nine- month periods ended September 30, 2017, strong growth in both the domestic and international markets for consumer products drove increases in our consumer business revenue of 22.3% and 25.5% as compared to the three- and nine-month periods ended October 1, 2016. Domestic consumer revenue increased 33.8% and 38.4% in the three- and nine-month periods ended September 30, 2017 compared to the three- and nine-month periods ended October 1, 2016, resulting primarily from successful marketing programs. International consumer revenue increased 14.9% and 15.3% in the three- and nine-month periods ended September 30, 2017 compared to the three- and nine-month periods ended October 1, 2016, largely driven by the growth in Europe as well as in Japan after the acquisition of SODC, which provides us with more direct control over sales in the region.

During the three-month period ended September 30, 2017, we recorded a net benefit to revenue and income before income taxes of \$1.4 million related to adjustments to our product returns reserves, compared to a net benefit to revenue and income before income taxes of \$0.1 million during the three-month period ended October 1, 2016. During the nine-month period ended September 30, 2017, we recorded a net benefit to revenue and income before income taxes of \$1.9 million related to adjustments to our product returns reserves, compared to a net benefit to revenue and income before income taxes of \$2.3 million during the nine-month period ended October 1, 2016. The adjustments recorded in the three- and nine-month periods ended September 30, 2017 resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods. The adjustments recorded in the three- and nine-month periods ended October 1, 2016 resulted from lower product returns experience as compared to estimates used to establish reserves in prior periods, as well as the transition of a customer to a contractual fixed rate of return.

During the three-month period ended September 30, 2017, we recorded a net benefit to revenue and income before income taxes of \$0.1 million related to adjustments to estimated price protection based upon quarterly sales activity, historical experience and customer inventory sell-through and \$0.2 million related to customer-specific price protection. During the nine-month period ended September 30, 2017, we recorded a net benefit to revenue and income before income taxes of \$0.3 million related to adjustments to estimated price protection based upon quarterly sales activity, historical experience and customer inventory sell-through and a net reduction to revenue of \$1.9 million related to customer-specific price protection.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, in particular those related to revenue recognition (specifically sales returns and other allowances); valuation allowances; assumptions used in valuing goodwill and intangible assets; assumptions used in accounting for business combinations; assumptions used in valuing stock-based compensation instruments; evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual amounts could differ significantly from these estimates. Our management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenue and expenses that are not readily apparent from other sources. Additional information about these critical accounting policies may be found in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Overview of Results of Operations

The following table sets forth our results of operations as a percentage of revenue for the three and nine month periods ended September 30, 2017 and October 1, 2016:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	50.2	51.9	49.8	52.5
Gross margin	49.8	48.1	50.2	47.5
Operating expenses				
Research and development	14.0	11.7	14.5	13.0
Selling and marketing	14.0	10.6	16.4	14.9
General and administrative	10.2	9.5	10.4	10.9
Total operating expenses	38.2	31.8	41.3	38.8
Operating income	11.6	16.3	8.9	8.7
Other income, net	1.3	0.3	0.8	0.4
Income before income taxes	12.9	16.6	9.7	9.1
Income tax expense	2.1	5.0	1.4	2.8
Net income	10.8%	11.6%	8.3%	6.3%

Comparison of Three and Nine Months Ended September 30, 2017 and October 1, 2016

Revenue

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total revenue	\$205,399	\$168,610	\$36,789	21.8%	\$557,014	\$448,110	\$108,904	24.3%

Total revenue for the three months ended September 30, 2017 increased to \$205.4 million, or 21.8%, compared to \$168.6 million for the three months ended October 1, 2016. Revenue increased approximately \$37.4 million, or 22.3%, in our consumer business.

The \$37.4 million increase in revenue from our consumer business for the three months ended September 30, 2017 was driven by a 16.3% increase in total units shipped and a 8.7% increase in average selling price as compared to the three months ended October 1, 2016. In the three months ended September 30, 2017, domestic consumer revenue increased \$22.2 million, or 33.8%, and international consumer revenue increased \$15.2 million, or 14.9%, as compared to the three months ended October 1, 2016. Total consumer robots shipped in the three months ended September 30, 2017 were approximately 906,000 units compared to approximately 779,000 units in the three months ended October 1, 2016. The increase in sales of our consumer robots resulted primarily from increased sales of our Roomba 900 and Roomba 600 series robots.

Total revenue for the nine months ended September 30, 2017 increased to \$557.0 million, or 24.3%, compared to \$448.1 million for the nine months ended October 1, 2016. Revenue increased approximately \$113.0 million, or 25.5%, in our consumer business. For the nine months ended September 30, 2017, defense and security business revenue decreased approximately \$3.1 million as compared to the nine months ended October 1, 2016 as a result of the sale of our defense and security business unit on April 4, 2016.

The \$113.0 million increase in revenue from our consumer business for the nine months ended September 30, 2017 was driven by an 17.8% increase in units shipped and an 8.3% increase in average selling price as compared to the nine months ended October 1, 2016. In the nine months ended September 30, 2017, domestic consumer revenue increased \$74.9 million, or 38.4%, and international consumer revenue increased \$38.1 million, or 15.3%, as compared to the nine months ended October 1, 2016. Total consumer robots shipped in the nine months ended September 30, 2017 were approximately 2,358,000

units compared to approximately 2,002,000 units in the nine months ended October 1, 2016. The increase in sales of our consumer robots resulted primarily from increased sales of our Roomba 900 series robots.

Cost of Revenue

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total cost of revenue	\$103,016	\$87,550	\$15,466	17.7%	\$277,397	\$235,437	\$41,960	17.8%
As a percentage of total revenue	50.2%	51.9%			49.8%	52.5%		

Total cost of revenue increased to \$103.0 million in the three months ended September 30, 2017, compared to \$87.6 million in the three months ended October 1, 2016. The increase in cost of revenue for the three months ended September 30, 2017 is primarily due to the increase in revenue compared to the three months ended October 1, 2016, as well as the impact from our acquisition of the iRobot-related distribution business of SODC in April 2017 including \$1.5 million of amortization expense of acquired intangible assets.

Total cost of revenue increased to \$277.4 million in the nine months ended September 30, 2017, compared to \$235.4 million in the nine months ended October 1, 2016. Cost of revenue increased \$42.6 million, or 19.8%, in our consumer business. The increase in cost of revenue for the nine months ended September 30, 2017 is primarily due to the increase in revenue compared to the nine months ended October 1, 2016, as well as the impact from our acquisition of the iRobot-related distribution business of SODC in April 2017 including \$2.9 million of amortization expense of acquired intangible assets. For the nine months ended September 30, 2017, defense and security business cost of revenue decreased approximately \$2.6 million as compared to the nine months ended October 1, 2016 as a result of completing the sale of our defense and security business unit on April 4, 2016.

Gross Margin

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total gross margin	\$102,383	\$81,060	\$21,323	26.3%	\$279,617	\$212,673	\$66,944	31.5%
As a percentage of total revenue	49.8%	48.1%			50.2%	47.5%		

Gross margin increased \$21.3 million, or 26.3%, to \$102.4 million (49.8% of revenue) in the three months ended September 30, 2017 from \$81.1 million (48.1% of revenue) in the three months ended October 1, 2016. The increase in gross margin is primarily related to favorable product and region mix, partially offset by an increase in promotional support to our customers for the upcoming holiday seasons.

Gross margin increased \$66.9 million, or 31.5%, to \$279.6 million (50.2% of revenue) in the nine months ended September 30, 2017 from \$212.7 million (47.5% of revenue) in the nine months ended October 1, 2016. The increase in gross margin is primarily related to favorable product mix in the nine months ended September 30, 2017 compared to the nine months ended October 1, 2016.

Research and Development

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total research and development	\$28,843	\$19,672	\$9,171	46.6%	\$80,518	\$57,944	\$22,574	39.0%
As a percentage of total revenue	14.0%	11.7%			14.5%	13.0%		

Research and development expenses increased \$9.2 million, or 46.6%, to \$28.8 million (14.0% of revenue) in the three months ended September 30, 2017 from \$19.7 million (11.7% of revenue) in the three months ended October 1, 2016. This increase was primarily attributable to higher people-related costs of approximately \$5.6 million driven by headcount growth, material and supplies of \$1.1 million and other program spend of approximately \$2.0 million.

Research and development expenses increased \$22.6 million, or 39.0%, to \$80.5 million (14.5% of revenue) in the nine months ended September 30, 2017 from \$57.9 million (13.0% of revenue) in the nine months ended October 1, 2016. This increase was primarily attributable to higher people-related costs of approximately \$13.6 million driven by headcount growth, material and supplies of \$2.3 million and other program spend of approximately \$6.0 million.

Selling and Marketing

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total selling and marketing	\$28,646	\$17,925	\$10,721	59.8%	\$91,344	\$66,972	\$24,372	36.4%
As a percentage of total revenue	14.0%	10.6%			16.4%	14.9%		

Selling and marketing expenses increased by \$10.7 million, or 59.8%, to \$28.6 million (14.0% of revenue) in the three months ended September 30, 2017 from \$17.9 million (10.6% of revenue) in the three months ended October 1, 2016. This increase was driven by higher direct marketing spend of \$6.1 million, people-related costs of \$3.0 million including additional headcount from our SODC acquisition, and customer service costs of \$0.5 million.

Selling and marketing expenses increased by \$24.4 million, or 36.4%, to \$91.3 million (16.4% of revenue) in the nine months ended September 30, 2017 from \$67.0 million (14.9% of revenue) in the nine months ended October 1, 2016. This increase was driven by higher direct marketing spend of \$16.9 million, people-related costs of \$4.6 million including additional headcount from our SODC acquisition, and customer service costs of \$1.8 million.

General and Administrative

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total general and administrative	\$21,002	\$16,012	\$4,990	31.2%	\$58,137	\$48,919	\$9,218	18.8%
As a percentage of total revenue	10.2%	9.5%			10.4%	10.9%		

General and administrative expenses increased by \$5.0 million, or 31.2%, to \$21.0 million (10.2% of revenue) in the three months ended September 30, 2017 from \$16.0 million (9.5% of revenue) in the three months ended October 1, 2016. This increase was attributable to higher people-related costs of \$2.7 million and legal and consulting costs of \$2.0 million mainly driven by litigation expense as we continued to defend and protect our intellectual property.

General and administrative expenses increased by \$9.2 million, or 18.8%, to \$58.1 million (10.4% of revenue) in the nine months ended September 30, 2017 from \$48.9 million (10.9% of revenue) in the nine months ended October 1, 2016. This increase was attributable to higher people-related costs of \$4.3 million, legal and consulting costs of \$3.5 million mainly driven by acquisition expense and litigation expense where we continued to defend and protect our intellectual property, and software maintenance, support and services of \$1.0 million.

Other Income, Net

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total other income, net	\$2,601	\$523	\$2,078	397.3%	\$4,290	\$2,142	\$2,148	100.3%
As a percentage of total revenue	1.3%	0.3%			0.8%	0.4%		

Other income, net, amounted to \$2.6 million and \$0.5 million for the three months ended September 30, 2017 and October 1, 2016, respectively. Other income, net, amounted to \$4.3 million and \$2.1 million for the nine months ended September 30, 2017 and October 1, 2016, respectively. Other income, net, for the three- and nine-month period ended September 30, 2017 included a \$2.2 million gain on business acquisition related to our acquisition of SODC, which represents the excess of the fair value of the net assets acquired over the purchase price. Other income, net, for the nine months ended September 30, 2017 also included a \$1.1 million earn-out payment received from a sold cost method investment. Other income, net, for the three months ended October 1, 2016 consisted primarily of defense and security transition services income of \$0.4 million. Other income, net, for the nine months ended October 1, 2016 primarily consisted of transition services income of \$0.8 million, a gain on sale of cost method investment of \$0.6 million and a gain on the sale of our defense and security business unit of \$0.4 million. All periods contain interest income and foreign currency changes which are not material.

Income Tax Expense

	Three Months Ended				Nine Months Ended			
	September 30, 2017	October 1, 2016	Dollar Change	Percent Change	September 30, 2017	October 1, 2016	Dollar Change	Percent Change
	(In thousands)				(In thousands)			
Total income tax expense	\$4,411	\$8,462	\$(4,051)	(47.9)%	\$7,565	\$12,722	\$(5,157)	(40.5)%
As a percentage of income before income taxes	16.6%	30.2%			14.0%	31.0%		

We recorded a tax provision of \$4.4 million and \$8.5 million for the three months ended September 30, 2017 and October 1, 2016, respectively. The \$4.4 million provision for the three months ended September 30, 2017 resulted in an effective income tax rate of 16.6%. The \$8.5 million provision for the three months ended October 1, 2016 resulted in an effective income tax rate of 30.2%. The difference between the effective income tax rate of 16.6% for the three months ended September 30, 2017 and 30.2% for the three months ended October 1, 2016 was primarily due to a \$4.7 million tax benefit related to share-based compensation in accordance with ASU 2016-09, adopted in the first quarter of 2017, and the jurisdictional mix of earnings.

We recorded a tax provision of \$7.6 million and \$12.7 million for the nine months ended September 30, 2017 and October 1, 2016, respectively. The \$7.6 million provision for the nine months ended September 30, 2017 resulted in an effective income tax rate of 14.0%. The \$12.7 million provision for the nine months ended October 1, 2016 resulted in an effective income tax rate of 31.0%. The difference between the effective income tax rate of 14.0% for the nine months ended September 30, 2017 and 31.0% for the nine months ended October 1, 2016 was primarily due to a \$10.7 million tax benefit related to share-based compensation in accordance with ASU 2016-09, adopted in the first quarter of 2017, and the jurisdictional mix of earnings.

The statute of limitations for examinations by the Internal Revenue Service is closed for tax years prior to 2014.

Liquidity and Capital Resources

At September 30, 2017, our principal sources of liquidity were cash and cash equivalents totaling \$241.8 million, short-term investments of \$36.4 million and accounts receivable of \$77.0 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 nine months ended September 30, 2017 and October 1, 2016, we spent \$16.6 million and \$8.4 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 retailers from China and, alternatively, allows our distributors and retail partners to take possession of product in the customer's domestic market. 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 the majority of the components required for the production of our products, and they typically invoice us when the finished goods are shipped.

As of September 30, 2017, we held cash, cash equivalents and short-term investments of \$278.2 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 nine month period ended September 30, 2017, was \$51.1 million of which the principal components were our net income of \$46.3 million and non-cash charges of \$22.3 million, partially offset by a net increase in operating assets and liabilities of \$17.6 million. The increase in net operating assets and liabilities includes an increase in accounts receivable and unbilled revenue of \$11.0 million, an increase in inventory of \$23.9 million, an increase in other assets of \$11.1 million, partially offset by a increase in accounts payable and accrued expenses of \$27.9 million primarily related to the timing of payments. As of September 30, 2017, 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.

During the nine months ended September 30, 2017, we acquired SODC for \$16.5 million, net of cash acquired, and invested \$16.6 million in the purchase of property and equipment, including machinery and tooling for new products. We also purchased \$7.0 million of marketable securities, while sales and maturities of marketable securities amounted to \$10.5 million. In addition, we received an earn-out payment of \$1.1 million from a sold cost method investment.

During the nine months ended September 30, 2017, we received \$9.0 million from the exercise of stock options. Shares issued upon vesting of restricted stock were net of 51,229 shares retained by us to cover employee tax withholdings of \$3.0 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 September 30, 2017, 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 September 30, 2017, 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 September 30, 2017, 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 September 30, 2017, 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 September 30, 2017, we were in compliance with all covenants under the revolving letter of credit facility.

Working Capital and Capital Expenditure Needs

On October 2, 2017, we closed on the previously-announced acquisition of our largest European distributor, Robopolis SAS, resulting in a net cash outlay of approximately \$138.4 million. 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 generally consist of obligations under our working capital line of credit, leases for office space and minimum contractual obligations for materials. Other obligations primarily consist of software licensing arrangements.

Off-Balance Sheet Arrangements

As of September 30, 2017, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

At September 30, 2017, we had unrestricted cash and cash equivalents of \$241.8 million and short term investments of \$36.4 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 September 30, 2017, all of our cash and cash equivalents were held in demand deposits, money market accounts and corporate and government bonds.

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 September 30, 2017, we had letters of credit outstanding of \$1.0 million under our revolving letter of credit facility.

Exchange Rate Sensitivity

Our international revenue and expenses are denominated in multiple currencies, including Japanese Yen, Canadian Dollars, Chinese Yuan Renminbi and Euros. As such, we have exposure to adverse changes in exchange rates associated with the revenue and operating expenses of our foreign operations. Any fluctuations in other currencies will have minimal direct impact on our international revenue.

In addition to international business conducted in foreign currencies, we have a significant amount of international revenue denominated in U.S. Dollars. 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.

We regularly monitor the forecast of non-U.S. dollar revenue and expenses and the level of non-U.S. dollar monetary asset and liability 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. Periodically, we enter into forward exchange contracts to hedge against foreign currency fluctuations. These contracts may or may not be designated as cash flow hedges for accounting purposes. We use cash flow hedges primarily to reduce the effects of foreign exchange rate changes on purchase and sales, primarily in Japanese Yen. At September 30, 2017 and December 31, 2016, we had outstanding cash flow hedges with a total notional value of \$17.7 million and \$0.0 million, respectively.

We also enter into economic hedges that are not designated as hedges from an accounting standpoint to reduce or eliminate the effects of foreign exchange rate changes typically related to short term trade receivables and payables. These contracts have maturities of two months or less. At September 30, 2017 and December 31, 2016, we had outstanding economic hedges with a total notional value of \$27.5 million and \$8.1 million, respectively.

A hypothetical change of 10% in exchange rates would not have a material impact on our financial results.

Item 4. Controls and Procedures

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

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

Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 5. Other Information

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

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

Item 6. Exhibits

Exhibit Number	Description
2.1	Share Purchase Agreement, dated as of July 25, 2017, by and among the Registrant, iRobot UK Ltd., Robopolis SAS, the shareholders of Robopolis named therein, and the Shareholders' Representative named therein (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 26, 2017 and incorporated by reference herein)
10.1*	Sixth Amendment to Lease between the Registrant and DIV Bedford, LLC, dated as of July 5, 2017
31.1*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements
<hr/>	
*	Filed herewith
**	Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

iROBOT CORPORATION

Date: November 3, 2017

By: /s/ Alison Dean
Alison Dean
Executive Vice President and Chief Financial Officer (Duly Authorized
Officer and Principal Financial Officer)

EXHIBIT INDEX

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31.2*	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements
<hr/>	
*	Filed herewith
**	Furnished herewith

SIXTH AMENDMENT TO LEASE

THIS SIXTH AMENDMENT TO LEASE (this “**Sixth Amendment**”) is entered into as of July 5, 2017 (the “**Effective Date**”), by and between **DIV BEDFORD, LLC**, a Massachusetts limited liability company (“**Landlord**”), and **IROBOT CORPORATION**, a Delaware corporation (“**Tenant**”).

R E C I T A L S:

A. Landlord and Tenant are parties to that certain Lease (the “**Original Lease**”) dated as of February 22, 2007, as amended by that certain Letter Agreement dated as of May 4, 2007, as further amended by that certain Letter Agreement dated August 15, 2007, as further amended by a First Amendment to Lease dated September 16, 2010, as further amended by a certain Declaration dated June 16, 2011, as further amended by a Second Amendment to Lease dated as of May 20, 2014, as further amended by a certain letter dated October 8, 2014, as further amended by a Third Amendment to Lease (the “**Third Amendment**”) dated as of April 10, 2015, as further amended by a Fourth Amendment to Lease dated as of October 23, 2015, as further amended by a Fifth Amendment to Lease dated as of May 4, 2016 (as amended, the “**Lease**”) for certain premises (the “**Existing Premises**”) consisting of approximately 203,041 rentable square feet of space located within the Complex (as defined in the Lease) and now known as XChange at Bedford (formerly known as Bedford Business Park) in Bedford Massachusetts. The Site is described in Exhibit A hereto and the Complex is depicted on Exhibit A-1 attached hereto.

B. Landlord has agreed to lease to Tenant and Tenant has agreed to lease from Landlord an additional 5,645 rentable square feet of space (the “**Sixth Amendment Additional Premises**”) located on the second floor of Building 4 at the Complex (also known as 4 Crosby Drive and formerly known as Building A), which space is shown on Exhibit B attached hereto.

C. The Term is currently scheduled to expire on April 30, 2020. Landlord and Tenant have also agreed, among other things, to extend the Term of the Lease, and provide for certain improvements to the Premises.

D. Pursuant to Section 2.1 of the Lease, the numerical/alphabetical address system for the Complex has been modified and the Buildings and the Additional Buildings are now referred to as follows: (i) Building A is now known as Building 4 and 4 Crosby Drive; (ii) Building B is now known as Building 6 and 6 Crosby Drive; (iii) Building C is now known as Building 8 and 8 Crosby Drive; (iv) Building D is now known as Building 10 and 10 Crosby Drive; (v) Building E is now known as Building 12 and 12 Crosby Drive; (vi) Building F is now known as Building 14 and 14 Crosby Drive; (vii) Building G is now known as Building 16 and 16 Crosby Drive; and (viii) and Building H is now known as Building 18 and 18 Crosby Drive.

E. Landlord and Tenant therefore desire to enter into this Sixth Amendment to set forth the terms and conditions for the leasing of the Sixth Amendment Additional Premises, the extension of the Term, and to amend the Lease as hereinafter set forth.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree to amend the Lease as follows:

1. **Expansion of Premises.**

(a) Effective as of the Sixth Amendment Additional Premises Commencement Date (as hereinafter defined), the Sixth Amendment Additional Premises shall be added to the Existing Premises so that the Premises shall include the Existing Premises and the Sixth Amendment Additional Premises upon all of the terms and conditions of the Lease except as modified herein. The lease of the Sixth Amendment Additional Premises shall terminate on the Lease Expiration Date (as defined herein), unless extended or sooner terminated as provided in the Lease. As used herein, the term “**Sixth Amendment Additional Premises Commencement Date**” shall mean the Effective Date. As of the Sixth Amendment Additional Premises Commencement Date, the Sixth Amendment Additional Premises have been delivered to Tenant, and Tenant has accepted the Sixth Amendment Additional Premises in their as-is condition.

(b) From and after the Sixth Amendment Additional Premises Commencement Date, Building 4 shall be deemed to be a “Building” and one of the “Buildings” as defined in Section 1.1 of the Lease (including, without limitation, for purposes of Section 5.17 of the Lease) and Tenant shall have, as appurtenant to the Premises, the non-exclusive right to use in common with others any Common Areas (as defined in the Lease) located in or necessary for access to Building 4.

(c) From and after the Sixth Amendment Additional Premises Commencement Date, the “Rentable Floor Area of the Premises” as used in the Lease shall mean 208,686 square feet, being the sum of (i) the Rentable Floor Area of the Existing Premises containing 203,041 rentable square feet, and (ii) the Rentable Floor Area of the Sixth Amendment Additional Premises containing 5,645 rentable square feet.

2. **Fixed Rent and Additional Rent for Early Rent Commencement of Sixth Amendment Additional Premises.** With respect to the Sixth Amendment Additional Premises, Tenant shall pay Fixed Rent and Additional Rent beginning on the date (the “**Sixth Amendment Additional Premises Rent Commencement Date**”) which is the earlier of (a) the date on which a certificate of occupancy is issued for the Sixth Amendment Additional Premises following substantial completion of the Sixth Amendment Tenant Alterations (defined in Exhibit D hereto) and (b) January 1, 2018. If the Sixth Amendment Additional Premises Rent Commencement Date occurs prior to January 1, 2018, Rent shall be due for the Sixth Amendment Additional Premises as follows. Annual Fixed Rent shall be \$95,965.00, payable in monthly installments of \$7,997.00 per month. Tenant

shall pay Operating Expenses Allocable to the Sixth Amendment Additional Premises and Landlord's Tax Expenses Allocable to the Sixth Amendment Additional Premises as Additional Rent, in accordance with the terms of the Original Lease without regard to any base year (i.e., net of Tenant's share of Operating Expense and Taxes). Annual Fixed Rent and Additional Rent for any partial month for which Rent is due shall be paid at the rates set forth above on a pro rata basis.

3. **Landlord's Work**. Landlord shall perform the work described in Exhibit C attached hereto (the "**Landlord Work Letter**"). Tenant acknowledges that (a) it is fully familiar with the condition of the Premises and agrees to take the same in its condition "as is" as of the First Extension Term Commencement Date (as hereinafter defined) and (b) Landlord shall have no obligation to alter, repair or otherwise prepare the Premises for Tenant's occupancy or to pay for or construct any improvements to the Premises to prepare the same for Tenant's occupancy during the First Extension Term, except as set forth in the Landlord Work Letter and subject to Landlord's express obligations under the Lease.

4. **Tenant's Work**. If Tenant elects to perform the Sixth Amendment Tenant Alterations, such alterations shall be performed in accordance with the terms of Exhibit D. For ease of reference, Exhibit D includes the definition of "**Sixth Amendment Tenant Alterations**" and sets forth the "**Sixth Amendment Construction Allowance**."

5. **First Extension Term**. Notwithstanding anything to the contrary contained in the Lease, the Term of the Lease for the Premises (as the same is expanded by this Sixth Amendment to include the Sixth Amendment Additional Premises) is hereby extended for an additional ten (10) years (the "**First Extension Term**") commencing on May 1, 2020 and expiring on April 30, 2030 (the "**Lease Expiration Date**"), unless extended as provided in Section 7 of this Sixth Amendment or sooner terminated in accordance with the terms of the Lease.

6. **Rent**.

(a) **Annual Fixed Rent**. From and after January 1, 2018, the Annual Fixed Rent for the Premises shall be as follows:

Calendar Year	Annual Fixed Rent per square foot	Annual Fixed Rent	Monthly Installments of Fixed Rent
2018	\$17.00	\$3,547,662.00	\$295,638.50
2019	\$17.51	\$3,654,091.86	\$304,507.66
2020	\$18.04	\$3,763,714.62	\$313,642.88
2021	\$18.58	\$3,876,626.05	\$323,052.17
2022	\$19.13	\$3,992,924.84	\$332,743.74
2023	\$19.71	\$4,112,712.58	\$342,726.05
2024	\$20.30	\$4,236,093.96	\$353,007.83
2025	\$20.91	\$4,363,176.78	\$363,598.06
2026	\$21.54	\$4,494,072.08	\$374,506.01
2027	\$22.18	\$4,628,894.24	\$385,741.19
2028	\$22.85	\$4,767,761.07	\$397,313.42
2029	\$23.53	\$4,910,793.90	\$409,232.83
2030	\$24.24	\$5,058,117.72	\$421,509.81

(b) Additional Rent. Effective as of January 1, 2018, notwithstanding anything to the contrary contained in the Lease (including Section 3 of the Third Amendment), Tenant shall pay Operating Expenses Allocable to the Premises and Landlord's Tax Expenses Allocable to the Premises in accordance with the terms of the Original Lease without regard to any base year.

(c) Annual Fixed Rent and Additional Rent for Existing Premises. Prior to January 1, 2018, Tenant shall continue to pay Annual Fixed Rent and Additional Rent with respect to the Existing Premises in accordance with the terms of the Lease and without regard to the terms of this Sixth Amendment.

(d) Electricity. During the remainder of the Original Term and during the First Extension Term, Tenant shall continue to pay all charges for electricity consumed in the Existing Premises in accordance with the terms of the Lease, as heretofore amended. Landlord has installed and rendered operational a check meter to measure electricity usage solely in the Sixth Amendment Additional Premises. Beginning on the Sixth Amendment Additional Premises Commencement Date and continuing through the expiration or earlier termination of the Term (as it may have been extended), Tenant shall pay all charges for electricity consumed in the Sixth Amendment Additional Premises based upon the check meter readings for the Sixth Amendment Additional Premises at the actual rates charged by the utility provider, without any markup by Landlord of such utility rates. Notwithstanding the foregoing, if any check meter for measuring Tenant's electricity usage malfunctions or is otherwise not operating properly (other than due to a Landlord default), Landlord may charge Tenant for electricity consumed in the applicable portion of the Premises during the period of malfunction (plus a period of ten (10) days after being made aware of such malfunction) based on reasonable industry-standard methods to reasonably estimate use and Tenant's past usage. At Landlord's option and at Landlord's sole expense, Landlord may install direct meters for measuring Tenant's consumption of electricity in any area of the Premises which is not directly metered, and, in such event, Tenant shall thereafter pay all costs and expenses for such separately-

metered electricity directly to the utility provider. The costs of electricity supplied to other leasable areas of Building 4 shall be excluded from Landlord's Operating Expenses.

7. **Extension Option.**

(a) **Right to Extend.** On the conditions (which conditions Landlord may waive by written notice to Tenant) that both at the time of exercise of the Sixth Amendment Extension Option (as hereinafter defined) and as of the commencement of the Second Extension Term (as hereinafter defined) (i) there exists no monetary or other material Event of Default ("Event of Default" being defined in Section 7.1 of the Original Lease), and (ii) the Lease is still in full force and effect, Landlord grants Tenant the option (the "**Sixth Amendment Extension Option**") to extend the Term of the Lease with respect to the entire Premises for one (1) additional period of ten (10) years (the "**Second Extension Term**") subject to each and all of the terms and conditions set forth in this Section 7. All other extension options under the Lease (including Section 8.20 of the Original Lease and Section 4 of the Third Amendment) are hereby extinguished, and no option to extend the term of the Lease exists except as set forth in this Section 7.

i. **Effect of Assignment or Sublease.** The Sixth Amendment Extension Option may not be exercised by, assigned or otherwise transferred to any person or entity voluntarily or involuntarily, except the Tenant named in the Lease (or a Successor Entity that succeeds to the interest of Tenant by assignment in accordance with Section 5.6 of the Original Lease). The parties hereto agree that if Tenant assigns any of its interest in the Lease or subleases more than 50% of the rentable square area of the Premises to any person or persons, in the aggregate, for all or substantially all of the remaining Term (meaning that less than twenty-one (21) months will remain in the then-Term of this Lease when the sublease expires) other than pursuant to a Successor Entity (as that term is defined in the Original Lease), this Sixth Amendment Extension Option shall terminate immediately without the need for any act or notice by either party to be effective.

ii. **Manner of Notice.** In order to exercise the Sixth Amendment Extension Option, Tenant shall deliver to Landlord written notice (the "**Extension Notice**") of the exercise of the Sixth Amendment Extension Option not later than July 31, 2028 and not sooner than April 30, 2028, time being of the essence. If an Extension Notice is not so delivered, Tenant's Sixth Amendment Extension Option shall automatically expire. The giving of an Extension Notice shall be deemed to be a binding exercise of Tenant's extension option, subject only to the right to rescind the same as expressly provided below.

iii. **Effect of Default.** Tenant's right to exercise the Sixth Amendment Extension Option shall be suspended at the election of Landlord during any period in which a monetary or other material Event of Default has occurred and is continuing, but the period of time within which the Sixth Amendment Extension Option may be exercised shall not be extended. Notwithstanding Tenant's due and timely exercise of the Sixth Amendment Extension Option, if, after such exercise and prior to the effective date of the Second Extension Term a monetary or other material Event of Default occurs under this Lease that is not cured within the applicable grace period, if any, and Landlord terminates this Lease, then Tenant's exercise

of the Sixth Amendment Extension Option shall be of no force and effect and its rights hereunder shall terminate.

iv. Rent. The Annual Fixed Rent for the Second Extension Term shall be equal to the then-prevailing fair market fixed annual rental rate (such prevailing fair market rental rate, the “**Market Rent**”) for the Premises on an “as is” basis, taking into account market increases during the Term and all other market concessions for tenant renewals in comparable office and R&D complexes as well as quality of office and R&D complex product with comparable amenities to the Complex in the Route 128 North Submarket and all other then relevant factors. During the Second Extension Term, the Additional Rent for the Premises shall continue to be payable as provided in the Lease and all of the terms, conditions and covenants of the Lease shall apply.

(b) Market Rent Notice. If Tenant properly exercises its Sixth Amendment Extension Option, Landlord shall provide Tenant with written notice (the “**Market Rent Notice**”) of the Landlord’s good faith determination of the Market Rent for the entire Second Extension Term within fifteen (15) business days of Landlord’s receipt of the Extension Notice. Tenant shall respond in writing to Landlord’s Market Rent Notice within thirty (30) days following the Market Rent Notice (the “**Tenant Response Period**”) stating that (a) Tenant agrees with the Market Rent determined by Landlord, (b) Tenant elects to rescind its Extension Notice (in which case Tenant’s rights under this Section 7 shall terminate and be of no further force and effect), or (c) Tenant elects to dispute Landlord’s determination of Market Rent pursuant to Section 7(c), below. If the parties agree on the Base Rent for the Second Extension Term during the Tenant Response Period or Tenant gives the notice described in clause (a) of the immediately preceding sentence, Landlord and Tenant shall exercise reasonable efforts to execute an amendment to the Lease within twenty (20) business days following Landlord’s submission of a proposed amendment to Tenant and stating the Second Extension Term, the Base Rent and any related terms and conditions. Notwithstanding the foregoing, failure to execute such an amendment shall not impact the binding nature of Tenant’s exercise of the Sixth Amendment Extension Option. If Tenant gives the notice described in clause (c) of this Section 7(b), above, then the Market Rent shall be determined in accordance with Section 7(c).

(c) Dispute. If the determination of Market Rent is to be made pursuant to this Section 7(c), then the Market Rent shall be determined by arbitration as set forth below in order to establish the Base Rent for the Second Extension Term and Landlord and Tenant shall be bound by the results of the arbitration. Notwithstanding the submission of the issue of Market Rent to arbitration, if such Base Rent has not been established pursuant to Section 7(d) below prior to the commencement of the Second Extension Term, Base Rent for the next ensuing Lease Year of the Term shall be paid at the Base Rent established by Landlord in its Market Rent Notice until the arbitration is completed. If, upon completion of the arbitration, it is determined that Market Rent is less or more than that set by Landlord, then an adjustment based upon such lower or greater rent shall be made based on the number of months therefor paid by Tenant. In no event shall the extension of the Term be affected by the determination of the Base Rent, such exercise of the Sixth Amendment Extension Option being fixed at the time at which Tenant delivers the Extension Notice, subject only to Tenant’s rescission right under Section 7(b) above.

(d) Arbitration. When the terms of this Sixth Amendment provide that Market Rent shall be determined by arbitration, the following arbitration procedures shall apply:

i. Selection of Arbitrators. Within five (5) business days following the end of the Tenant Response Period, each of Tenant and Landlord shall choose a licensed commercial real estate broker who has at least twelve (12) years' full-time experience in commercial leasing in the Route 128 North submarket and shall notify the other party in writing of its selection. If a party does not appoint an arbitrator within such five (5) business day period and such failure is not cured within five (5) business days following a written request for such appointment by the other party, then the single broker appointed shall be the sole arbitrator and shall establish the Market Rent for the Extension Term;

ii. Selection of Third Arbitrator. If the two (2) arbitrators are appointed by the parties as stated above, they shall meet within five (5) business days following their appointment in accordance with Subsection 7(d)(i) above, and the arbitrators selected shall select a third arbitrator meeting the qualifications as set forth in Subsection 7(d)(i) above; if the two (2) arbitrators fail to select the third arbitrator within such time period, such third arbitrator shall be appointed by the President of the Greater Boston Real Estate Board or, if it ceases to exist, a similar organization reasonably selected by Landlord. The third arbitrator, however selected, shall be a person who has not previously acted in any capacity for either party;

iii. Decision by Arbitrators. Within fifteen (15) business days after their appointment, the three (3) arbitrators selected pursuant to the terms hereof shall determine the Market Rent for the Premises for the Second Extension Term, and shall notify Tenant and Landlord of such determination within three (3) days thereafter, which determination shall be final and binding upon Tenant and Landlord. If the arbitrators are unable to agree upon the Market Rent, the Market Rent will be deemed to be the average of the Market Rents proposed by the arbitrators, except that (i) if the lowest proposed Market Rent is less than ninety percent (90%) of the second to lowest proposed Market Rent, the lowest proposed Market Rent will automatically be deemed to be ninety percent (90%) of the second to lowest proposed Market Rent and (ii) if the highest proposed Market Rent is greater than one hundred ten percent (110%) of the second to highest proposed Market Rent, the highest proposed Market Rent will automatically be deemed to be one hundred ten percent (110%) of the second to highest proposed Market Rent;

iv. Allocation of Expenses. Landlord and Tenant shall each pay one-half (1/2) of the expense of the third arbitrator's fees and each shall pay 100% of the fees of the arbitrator appointed by each respective party.

v. Guidelines for Arbitration. For the avoidance of doubt, for the purpose of determining Market Rent pursuant to arbitration, the parties shall use the definition of Market Rent set forth in Section 7(a)(iv).

8. **Expansion Rights in Buildings 4, 16 and 18.**

Section 8.28 of the Original Lease is hereby amended and restated in its entirety as follows:

Section 8.28. Right of First Offer

(A) On the conditions (which conditions Landlord may waive by written notice to Tenant at any time), that as of both the time that any portion of the RFO Premises (as hereinafter defined) becomes available for reletting (as hereinafter defined) and as of the commencement date of Tenant's leasing of such portion of the RFO Premises: (i) Tenant directly leases from Landlord at least 100,000 square feet of rentable floor area, (ii) no monetary or other material Event of Default of Tenant exists and there have been no more than two (2) monetary or other material Event of Default occurrences during the Lease Term, (iii) the Lease is still in full force and effect, and (iv) Tenant has neither assigned the Lease nor sublet more than fifty percent (50%) of the Total Rentable Floor Area of the Buildings (except for an assignment or sublease under Section 5.6.1 of the Lease or an occupancy permitted pursuant to Section 5.6.6 of the Lease), Tenant shall have a right of first offer ("**Right of First Offer**") to lease the RFO Premises, as hereinafter defined.

For the purposes hereof, the "**RFO Premises**" shall be defined as any and all space in Building 4 (also known as 4 Crosby Drive), Building 16 (also known as 16 Crosby Drive), and Building 18 (also known as 18 Crosby Drive) of the Complex as and when such space becomes available for reletting (as hereinafter defined).

(B) When any portion of the RFO Premises becomes available for reletting (as hereinafter defined), Landlord shall notify Tenant ("**Landlord's RFO Premises Notice**") of the availability of such space, which notice shall contain the size, configuration, location and date of availability of such portion of the RFO Premises, the Annual Market Rent, and the other business terms upon which Landlord is willing to so lease such space. The "net effective rental rate" set forth in Landlord's RFO Premises Notice shall mean and be expressed in terms of (i) the Annual Market Rent for the applicable portion of the RFO Premises quoted by Landlord, (ii) the triple-net basis of this Lease for Operating Expenses and Taxes, (iii) the free rent or "build-out" period, if any, after the commencement of the lease term, (iv) the tenant improvement allowance, if any, and (v) the length of the lease term, which shall hereinafter be referred to as "**Landlord's Offered Rental Terms.**"

For the purposes hereof:

(1) The "**Annual Market Rent**" shall be the annual fair market rent for the applicable portion of the RFO Premises as of the date when the same becomes available for reletting, based upon the use of such space as first class office/research and development space utilizing properties of similar character within the Boston Northwest Suburban Market and based on the Market Rate (as defined in Section 7 above of this Sixth Amendment) for such portion of the RFO Premises.

(2) A portion of the RFO Premises shall be deemed "**available for reletting**" when Landlord, in its sole judgment, determines that the then current tenant of such portion of the RFO Premises will vacate the applicable portion of the RFO Premises at the expiration or earlier termination of such tenant's lease, provided that with

respect to 4 Crosby Drive and 18 Crosby Drive the applicable portion of the RFO Premises shall also be deemed to be "available for lease" when the then-current tenant's right to extend or renew, if any, contained within its lease expires in accordance with the terms of the applicable lease agreement without having been exercised or such right otherwise has been waived in writing by such tenant.

In connection with the foregoing, it is understood and agreed that Tenant's rights under this Section 8 shall be subject and subordinate to the rights of the existing tenants in 4 Crosby Drive, 16 Crosby Drive and 18 Crosby Drive as of the date of this Sixth Amendment (the "**Existing Tenants**") as set forth on Exhibit O attached to the Sixth Amendment (the terms of any leases with the Existing Tenants, including, but not limited to, the original terms thereof and options to extend the terms thereof contained in lease documents executed prior to the date hereof are hereinafter individually and collectively called the "**Existing Leases**").

(C) If Tenant wishes to exercise Tenant's Right of First Offer, Tenant shall do so, if at all, by giving Landlord notice ("**Tenant's RFO Exercise Notice**") within five (5) business days after receipt of Landlord's RFO Premises Notice, time being of the essence, of Tenant's desire to lease all (but not less than all) of the space designated in Landlord's RFO Premises Notice. Tenant shall, in Tenant's RFO Exercise Notice, specify whether it shall be leasing the applicable portion of the RFO Premises for (1) the lease term specified in Landlord's RFO Premises Notice or (2) a lease term that is coterminous with the Term of the Lease with respect to the Existing Premises (it being understood and agreed that if less than sixty (60) months then remain in the Lease Term at the time Tenant delivers the Tenant's RFO Exercise Notice electing to lease the applicable portion of the RFO Premises for a term to be coterminous with the Lease Term with respect to the Existing Premises and if such period is shorter than the lease term offered in Landlord's RFO Premises Notice, Tenant must simultaneously exercise its extension option under Section 7 of this Sixth Amendment with its exercise of its rights under this Section 8 and if no such extension option is then available to Tenant then the term with respect to the applicable portion of the RFO Premises shall automatically be as specified in Landlord's RFO Premises Notice) (the lease term as determined under subsection (1) or (2) being hereinafter referred to as the "**Designated RFO Lease Term**").

If Tenant shall give a Tenant's RFO Exercise Notice the same shall constitute an agreement to enter into an instrument in writing to lease the portion of the RFO Premises identified in Landlord's RFO Premises Notice and Landlord and Tenant will exercise reasonable efforts to enter into an amendment to the Lease memorializing the expansion of the Premises within thirty (30) days after receipt of a first draft of such amendment from Landlord adding the applicable portion of the RFO Premises to the Premises upon all of the same terms and conditions in this Lease, except to the extent inconsistent with the provisions of this Section 8 and except that (x) the Annual Fixed Rent shall be equal to the Annual Market Rent as quoted by Landlord, (y) the lease term with respect to the applicable portion of the RFO Premises shall be the Designated RFO Lease Term, and (z) the lease amendment shall also reflect such other business terms as were set forth in Landlord's RFO Premises Notice. For the avoidance of doubt, Tenant's RFO Exercise Notice shall be binding regardless of whether the written instrument contemplated in the previous sentence is executed.

(D) If Tenant shall not timely exercise its rights under this Section 8 within such period, time being of the essence in respect to such exercise, Landlord shall be free to lease such

portion of the RFO Premises for two hundred seventy (270) days after the date of Landlord's RFO Premises Notice for a net effective rental rate which is not less than 90% of Landlord's Offered Rental Terms contained in Landlord's RFO Premises Notice without again offering such space to Tenant for lease; provided, however, that (i) Landlord shall reoffer the applicable RFO Premises to Tenant in accordance with the terms and provisions of this Section 8 if (a) Landlord does not so lease such space during such two hundred seventy (270) day period, or (b) if Landlord proposes to lease such space in larger or smaller increments, or (c) if Landlord proposes to lease such space during such two hundred seventy (270) day period for a net effective rental rate which is less than 90% of Landlord's Offered Rental Terms contained in Landlord's RFO Premises Notice, and (ii) the terms of this Section 8 shall continue to apply to the remainder of the RFO Premises, if any, not included in Landlord's RFO Premises Notice and to RFO Premises included in Landlord's RFO Premises Notice and not leased by Tenant which is subsequently leased to another tenant in accordance with this Section 8 and thereafter becomes available for reletting (i.e. this is a continuous Right of First Offer).

(E) If Tenant shall exercise any such Right of First Offer and if, thereafter, the then occupant of the portion of the RFO Premises with respect to which Tenant shall have so exercised such right wrongfully fails to deliver possession of such premises at the time when its tenancy is scheduled to expire, Landlord shall use reasonable efforts and due diligence (which shall be limited to the commencement and prosecution of eviction proceeding within sixty (60) days after the date on which the hold-over commences, but shall not require the taking of any appeal) to evict such occupant from such space and to recover from such occupant any Hold-Over Premium (as defined below) payable by such occupant. In such event, the commencement of the term of Tenant's occupancy and lease of such additional space shall, in the event of such holding over by such occupant, be deferred until possession of the additional space is delivered to Tenant. The failure of the then occupant of such premises to so vacate shall not constitute a default or breach by Landlord and shall not give Tenant any right to terminate the Lease or to deduct from, offset against or withhold Annual Fixed Rent or Additional Rent (or any portions thereof); except that if such holdover exceeds one hundred eighty (180) days, then Tenant may cancel the exercise of its option to lease the applicable portion of the RFO Premises by giving to Landlord a written cancellation notice (provided, however, that if Landlord delivers such portion of the RFO Premises to Tenant on or before the date thirty (30) days after Landlord receives such cancellation notice, such cancellation notice shall be void and without further force or effect).

Alternatively, in lieu of canceling the exercise of such option, Tenant shall have the right to require Landlord to pay to Tenant the net (i.e. net of the costs and expenses, including, attorneys' fees, incurred by Landlord in obtaining such Hold-Over Premium) amount of any Hold-Over Premium received by Landlord from such hold-over occupant relative to periods from and after the sixty-first (61st) day of any hold-over, when and if Landlord receives any such payment. For the purposes hereof, the term "**Hold-Over Premium**" shall be defined as the amount (if any) which a hold-over occupant of any portion of the RFO Premises is required to pay to Landlord in respect of its hold-over in the premises (whether characterized as rent, damages, or use and occupation) in excess of the amount of fixed rent and other charges which the tenant under whom such occupant claims would have been required to pay to Landlord had the term of such tenant's lease been extended throughout the period of such hold-over at the same rental rate as such tenant was required to pay during the last month of its tenancy.

In the event that Tenant elects to cancel its exercise of its option hereunder as the result of a holding over by the existing occupant of the applicable portion of the RFO Premises, Landlord shall reoffer the space to Tenant at such time as the hold-over tenant is evicted from the space upon the same terms and conditions as set forth in Tenant's RFO Exercise Notice with respect to such space (and otherwise in accordance with the terms and provisions of this Section 8).

(F) Landlord shall use reasonable efforts to keep Tenant informed with semi-annual written updates of the expected availability of the leaseable areas in the RFO Premises; provided, however, that Landlord's failure to provide such updates shall in no way be deemed to be a default of Landlord under this Lease or otherwise give rise to any liability on Landlord's part.

9. **Leasing Notice Right.** Section 8.29 of the Original Lease is hereby amended and restated in its entirety to read as follows:

Landlord agrees that for so long as DIV Bedford, LLC or any affiliate (i.e., an entity controlled by, under common control with, or controlling DIV Bedford, LLC) of DIV Bedford, LLC is the Landlord, hereunder, if at any time during the eighteen (18) months following the Effective Date of the Sixth Amendment, Landlord intends to enter into a lease with a third party for all or any portion of the currently vacant space in 14 Crosby Drive (the "**14 Crosby Vacant Space**"), then provided that (i) Tenant directly leases from Landlord at least 208,686 square feet of rentable floor area, (ii) there exists no monetary or other material Event of Default and there have been no more than two (2) monetary or other material Event of Default occurrences during the Term, (iii) the Lease as amended is still in full force and effect and (iv) Tenant has neither assigned the Lease nor sublet more than twenty-five percent (25%) of the Total Rentable Floor Area of the Buildings of the Premises (except for an assignment or sublease permitted under Section 5.6.1 of the Original Lease or an occupancy permitted pursuant to Section 5.6.6 of the Original Lease), then Landlord shall give Tenant at least five (5) business days' written notice ("**Landlord's 14 Crosby Leasing Notice**") of the intent to enter into a letter of intent for such space. Beyond delivery of Landlord's 14 Crosby Leasing Notice, Landlord shall have no further obligation to Tenant with respect to the 14 Crosby Vacant Space, and the rights of Tenant set forth in this Section 8.29 shall not constitute rights in real property. Except as amended and restated in this Section 8 of the Sixth Amendment, the provisions of Section 8.29 of the Original Lease are deleted and are of no further force or effect.

10. **Site.** Exhibit A to the Original Lease is hereby deleted in its entirety and replaced with the Description of Site attached hereto as Exhibit A. Exhibit A-1 to the Original Lease is hereby deleted in its entirety and replaced with the Site Plan of Complex attached hereto as Exhibit A-1.

11. **Parking.** In accordance with the ratio set forth in Section 1.1 of the Lease (i.e. three (3) parking privileges for each 1,000 square feet of rentable floor area leased by Tenant), as of the Sixth Amendment Additional Premises Commencement Date, the Number of Parking Privileges Tenant is entitled to use at the Complex shall be 625 parking spaces, subject to increase or decrease in accordance with the terms of Section 2.2.1 of the Lease (as amended). Section 2.2.1 of the Original Lease is hereby modified by: (a) deleting subsection 2.2.1(B) in its entirety and (b) deleting

from subsection 2.2.1(D) the text “(including, without limitation, those relating to the Managed Parking program, if implemented)”.

12. Signage.

(a) Exterior Signage. Section 5.17(B)(1) of the Original Lease is hereby modified by deleting the text “one (1) sign on the exterior façade” and inserting in its place the text “two (2) signs on the exterior façade.”

(b) Directory Signage. In connection with the lease of the Sixth Amendment Additional Premises as described herein, Tenant shall be entitled to building-standard directory signage in the lobby of Building 4 and to no other additional signage.

13. Security Deposit. The Security Deposit held by Landlord pursuant to the Lease has heretofore been reduced in accordance with Section 8.21 of the Lease and the amount of the Security Deposit is now Five Hundred Thousand Dollars (\$500,000.00). Accordingly, Section 8.21(B) of the Lease is hereby deleted, and the definition of “Security Deposit” in Section 1.1 of the Lease is hereby deleted and replaced with the following: “\$500,000, to be held and disposed of pursuant to the provisions of Section 8.21 of this Lease.”

14. Land Recreation Space. Tenant’s right to use the Additional Land Areas shall remain in effect for the Term, subject to the provisions of Section 8.27 of the Original Lease (as amended by the provisions of the Fifth Amendment and this Sixth Amendment).

a. The Land Recreation Area B is no longer the subject of the MHD Lease and is now owned by Landlord and so Tenant’s right to use Land Recreation Area B shall no longer be subject to or conditioned on the MHD Lease. Subsections 8.27(B)(2) and 8.27(B)(3) and the last sentence of Section 8.27(B)(1) are hereby deleted and of no further force or effect. In the event that Tenant is prevented from using (and in fact ceases to use) Land Recreation Area B as the result a casualty or taking affecting Land Recreation Area B for a period of eleven (11) consecutive months after Landlord’s receipt of written notice of such condition from Tenant, then Tenant may terminate this Lease by giving Landlord written notice as follows:

- (i) Said notice shall be given after said eleven (11) month period.
- (ii) Said notice shall set forth an effective date which is not earlier than thirty (30) days after Landlord receives said notice.
- (iii) If said condition is remedied on or before the date thirty (30) days after the receipt of such notice, said notice shall have no further force and effect.
- (iv) If said condition is not remedied on or before the date thirty (30) days after the receipt of such notice, this Lease shall terminate as of said effective date, and the Annual Fixed Rent and Additional Rent due under this Lease shall be apportioned as of said effective date.

Notwithstanding the foregoing, Tenant shall have no right to terminate this Lease in the event that Landlord has made available to Tenant another parcel of land consisting of one and one-half (1 ½) acres or more and located within a ten (10) mile radius of the Complex, which may be used by Tenant for all of the same purposes as Land Recreation Area B hereunder (Landlord hereby acknowledging that Landlord shall be solely responsible for all costs associated with obtaining the rights to such alternative parcel provided that Tenant shall still be responsible for any costs that Landlord is otherwise entitled to pass through to Tenant on account of Land Recreation Area B in accordance with Section 2.6 of the Original Lease). In the event any zoning relief or changes need to be obtained for such alternate land in order to permit Tenant's use of the same for the same purposes as Land Recreation Area B, Landlord shall be responsible, at Landlord's sole cost and expense, for obtaining any and all of such necessary zoning relief and/or change.

b. Intentionally Omitted.

c. At Landlord's expense, Landlord may remove all or any portion of the existing fencing around Land Recreation Area B and replace it with a uniform fence that is at least eight feet (8') high (and, thereafter, Tenant shall have no right to fencing or other surroundings around Land Recreation Area B taller than eight feet (8') high). Landlord shall perform such work in a reasonably expeditious manner such that no material portion of the fence is absent for more than two weeks, and shall advise Tenant of its intention to perform such work at least ten (10) business days prior to the commencement of such work. Landlord shall cooperate with Tenant to schedule any work under this Section 14(c) in a manner that will not coincide with any confidential activities of Tenant taking place within Land Recreation Area B, such as the testing of Tenant's proprietary robot prototypes.

15. **Timing for Requisitions of Additional Building 6 Space Allowance Costs.** Section 2(b) of the Third Amendment is hereby modified by deleting the two instances of the text "June 30, 2017", and inserting in their stead the text "October 31, 2017".

16. **Intentionally Omitted.**

17. **Environmental Laws.** Notwithstanding anything to the contrary contained in the Lease either expressed or implied, Landlord covenants to Tenant that the Sixth Amendment Additional Premises shall be delivered to Tenant in its then "as is" condition, and free of all Hazardous Materials (as defined in Section 5.3 of the Lease) in violation of Hazardous Materials Laws.

18. **Brokers.** Tenant hereby represents to Landlord that it has dealt directly with and only with Transwestern|RBj and Jones Lang Lasalle New England, LLC (the "**Brokers**") as a broker in connection with this Sixth Amendment. Landlord and Tenant hereby indemnify and hold each other harmless against any loss, claim, expense or liability with respect to any commissions or brokerage fees claimed by any broker or finder other than the Brokers on account of the execution and/or renewal of this Lease due to any action of the indemnifying party.

19. **Miscellaneous.** Except as modified herein, the Lease and all of the terms and provisions thereof shall remain unmodified and in full force and effect as originally written. Landlord shall continue to hold the Security Deposit, and Tenant shall maintain the Security Deposit, in accordance with the terms of the Lease. In the event of any conflict or inconsistency between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control. All terms used herein but not defined herein which are defined in the Lease shall have the same meaning for purposes hereof as they do for purposes of the Lease. The Recitals set forth above in this Amendment are hereby incorporated by this reference. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective beneficiaries, successors and assigns. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting the matters set forth in this Amendment and this Amendment constitutes the parties' entire agreement with respect to the matters described herein and supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties hereto or with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Amendment.

20. **Counterparts.** This Amendment may be executed in any number of counterparts and by each of the undersigned on separate counterparts, which counterparts taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day and year first above written.

LANDLORD:

DIV BEDFORD, LLC, a Massachusetts limited liability company

By: Bedford Manager Corp., a Massachusetts corporation

By: /s/ Richard McCready
Name: Richard McCready
Title: President

TENANT:

IROBOT CORPORATION,
a Delaware corporation

By: /s/ Alison Dean
Name: Alison Dean
Title: CFO

By: /s/ Glen Weinstein
Name: Glen D. Weinstein
Title: EVP & Chief Legal Officer

Exhibit A

Description of Site **Legal Description**

Real property at 4-18 Crosby Drive, in the Town of Bedford, County of Middlesex, Commonwealth of Massachusetts, described as follows:

Parcels 1 & 2

A certain parcel of land situated on the westerly side of Crosby Drive in the Town of Bedford, in the County of Middlesex, Commonwealth of Massachusetts, bounded and described as follows:

Beginning at a point in the westerly line of Crosby Drive at the most northerly corner of the granted premises at land now or formerly of Beacon Properties Limited Partnership, thence

A-1

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S 16° 24’ 24” E	a distance of Nine Hundred Ninety-Two and Fifty-Four Hundredths feet (992.54’) to a point; thence
S 15° 54’ 05” E	a distance of Two Hundred Twenty-Six and Eight Hundredths feet (226.08’) to a point; thence
S 74° 05’ 55” W	a distance of Twenty-Two and No Hundredths feet (22.00’) to a point; thence
S 15° 54’ 05” E	a distance of Four and Three Hundredths feet (4.03’) to a point; thence
SOUTHERLY	and curving to the left along the arc of a curve having a radius of Nine Hundred Seventy and Seventy-Three Hundredths feet (970.73’), a length on One Hundred Fifty-Nine and Sixty-Nine Hundredths feet (159.69’) to a point; thence
SOUTHERLY	and curving to the right along the arc of a curve having a radius of Twenty and No Hundredths feet (20.00’), a length of Thirty-One and Four Hundredths feet (31.04’) to a point; the previous six (6) courses being along the westerly line of Crosby Drive; thence
S 63° 35’ 55” W	a distance of Sixty-Five and Ninety Hundredths feet (65.90’) to a point; thence
WESTERLY	and curving to the right along the arc of a curve having a radius of Thirty and No Hundredths Feet (30.00’), a length of Thirty-Five and Fifty-Five Hundredths feet (35.55’) to a point; thence And curving to the left along the arc of a curve having a radius of Four Hundred Twenty and no hundredths feet (420.00’), a length of Three Hundred Two and Eighty Hundredths feet (302.80’) to a point; thence
N 89°49’ 15” W	a distance of Two Hundred Ninety-Three and Four Hundredths feet (293.04’) to a point; thence
NORTHWESTERLY	and curving to the right along the arc of a curve having a radius of One Hundred and No Hundredths feet (100.00’), a length of One Hundred Nineteen and Thirty-Six Hundredths feet (119.36’) to a point at a Parcel 4; the previous five (5) courses being along the northerly line of Crosby Road; thence
N 21° 25’ 56” W	a distance of Five Hundred Four and Seventy Hundredths feet (504.70’) to a point; thence
N 21° 56’ 20” W	a distance of Two Hundred Eighty-Three and One Hundredth feet (283.01’) to a point at Parcel 3; the previous two (2) courses by Parcel 4; thence
N 64°00’ 04” E	a distance of Sixty-Four and Forty-Three Hundredths feet (63.43’) to a point; thence
N 41°27’ 31” E	a distance of One Hundred Seventy and Thirty-Three Hundredths feet (170.33’) to a point at land now or formerly of Beacon Properties Limited Partnership, the previous two (2) courses by Parcel 3; thence
N 57° 00’14” E	a distance of Two Hundred Ninety-Two and Thirty-Four Hundredths feet (292.34’) to a drill hole; thence
N 58° 05’ 16” E	a distance of Ninety-One and Ten Hundredths feet (91.10’) to a drill hole; thence
N 57° 40’ 22” E	a distance of Two Hundred Fifteen and Ninety-Nine Hundredths feet (215.99’) to the Point of Beginning.

The above described Parcel of land contains an area of 838,376 square feet, more or less or 19.2465 acres, more or less, and is more particularly shown as Parcel 1 & 2 on a plan entitled “Plan of Land at 2-14 Crosby Drive, Bedford, Mass (Middlesex County) prepared for Bedford Business Park Limited Partnership, Scale: 50 feet to an inch, dated Nov. 1, 1996, by the BSC Group, Inc.,” recorded with the Middlesex South District Registry of Deeds as Plan No. 1246 of 1996.

Parcel 3

A certain parcel of land situated off the northwesterly end of Crosby Road in the Town of Bedford, in the County of Middlesex, Commonwealth of Massachusetts bounded and described as follows:

Beginning at a point in the most southerly corner of the granted premises at the most westerly corner of Parcel 1 & 2 at Parcel 4; said point being Seven Hundred Eighty-seven and Seventy-One Hundredths feet (787.71') along the line separating Parcel 1 & 2 and Parcel 4 from the most northwesterly end of Crosby Road, thence

N 23° 06' 22" W	by Parcel 4, a distance of Two Hundred Ninety-Nine and Fifty-One Hundredths feet (299.51') to a point at land now or formerly of Beacon Properties Limited Partnership; thence
N 59° 22' 33" E	a distance of Two Hundred Nine and Ninety-Five Hundredths feet (200.95') to a point; thence
S 25° 23' 47" E	a distance of Two Hundred Fifty and Seventy-Seven Hundredths feet (250.77') to a point at Parcel 1 & 2; the previous two (2) courses by land now or formerly of Beacon Properties Limited Partnership; thence
S 41° 27' 31" W	a distance of One Hundred Seventy and Thirty-Three Hundredths feet (170.33') to a point; thence
S 64°00' 04" W	a distance of Sixty-Four and Forty-Three Hundredths feet (64.43') to the Point of Beginning; the previous two (2) courses by Parcel 1 & 2.

The above described Parcel of land contains an area of 60,990 square feet, more or less, or 1.4001 acres, more or less, and is more particularly shown as Parcel 3 on a plan entitled "Plan of Land at 2-14 Crosby Drive, Bedford, Mass. (Middlesex County) prepared for Bedford Business Park Limited Partnership, scale 50 feet to an inch, dated Nov. 1, 1996 by the BSC Group, Inc." recorded with the Middlesex South District Registry of Deeds as Plan No. 1246 of 1996.

Parcel 4

All of Bedford Business Park Limited Partnership's Right, Title and Interest in and to the following described Parcel of Land:

A certain Parcel of land situated on the northwesterly end of Crosby Road in the Town of Bedford, in the County of Middlesex, Commonwealth of Massachusetts, bounded and described as follows:

Beginning at a point in the most westerly end of Crosby Road at the most southerly corner of the granted premises at the easterly line of Route 3; thence

N 21°25; 56” W	by the easterly line of Route 3, a distance of Four Hundred Fifty-Three and Seven Hundredths feet (453.07’) to a stone bound at land now or formerly of Beacon Properties of Limited Partnership; thence
N 21°48’ 17” W	a distance of Three Hundred Ninety-One and Ninety-One Hundredths feet (391.91’) to a point; thence
N 23° 01’27”W	a distance of One Hundred seventeen and Eighty-two Hundredths feet (117.82’) to a point; thence
N 05° 17’ 44” W	a distance of Forty-One and Thirty-Two Hundredths feet (41.32’) to a point; thence
N 22° 50’28” W	a distance of One Hundred Seven and Nine Hundredths feet (107.09’) to a point; thence
N 00° 22’ 29” W	a distance of Fourteen and Ninety-Six Hundredths feet (14.96’) to a point; thence
N 59° 22’ 23” E	a distance to Twenty-Four and Fourteen Hundredths feet (24.14’) to a point at Parcel 3; the previous six courses by land now or formerly of Beacon Properties Limited Partnership; thence
S 23° 06’ 22” E	by Parcel 3, a distance of Two Hundred Ninety-Nine and Fifty-One Hundredths feet (299.51’) to a point at Parcel 1 & 2; thence
S 21° 56’ 20” E	a distance of Two Hundred Eighty-Three and One Hundredth feet (283.01’) to a point; thence
S 21° 25’ 56” E	a distance of Five Hundred Four and Seventy Hundredths feet (504.70’) to a point in the northwesterly end of Crosby Road; the previous two (2) courses by Parcel 1 & 2; thence
S 25°47’ 26” W	along the northwesterly end of Crosby Road, a distance of Fifty-Nine and Twenty-Five Hundredths feet (59.25’) to the Point of Beginning.

The above described Parcel of land contains an area of 46,110 square feet, more or less, or 1.0585 acres, more or less, and is more particularly shown as Parcel 4 on a plan entitled “Plan of Land at 2-14 Crosby Drive, Bedford, Mass. (Middlesex County) prepared for Bedford Business Park Limited Partnership, scale 50 feet to an inch, dated Nov. 1, 1996 by the BSC Group, Inc.” recorded with the Middlesex South District Registry of Deeds as Plan No. 1246 of 1996.

LESS AND EXCEPT so much of Parcel 4 as was taken by virtue of Layout No. 7652 and Order of Taking by the Massachusetts Department of Highways, for the alteration of Route 3, dated September 11, 2002, recorded in Book 36449, Page 166, as shown on Plan No. 998 of 2002, recorded therewith.

A portion of Parcel 4 is Registered Land as follows:

One-half Crosby Road opposite Lot 2, but not opposite Lot 1, as shown on a subdivision plan, as approved by the Court, filed in the Land Registration Office for the South Registry District of the Middlesex County in Registration Book 855, Page 41, with Certificate No. 144991 (Plan No. 31882B).

Together with benefit of that certain appurtenant easement as set forth in Easement Agreement by and between MA-Crosby Corporate Center, L.L.C. as Grantor, and Boston Properties Limited Partnership, as Grantee, dated as of May 7, 2004, recorded in Book 43035, Page 303 and filed as Document No. 1337304.

Parcel 5

A parcel of land in the Town of Bedford, County of Middlesex, comprising a portion of the January 29, 1952 (Layout No. 3933) State highway layout of Route 3, the December 1, 1953 (Layout No. 4102) State highway alteration of Crosby Road, the September 11, 2002 (Layout No. 7652) State highway alteration of Crosby Drive, and the October 18, 2006 (Layout No. 7977) State highway alteration of Route 3 and bounded by the line described as follows:

Beginning	at a point on the northerly location line of Section 3 of the aforesaid September 11, 2002 (Layout No. 7652) State highway alteration of Crosby Drive, said point bearing N 48°20’25” E and being 107.94 feet distant from station 4+70.51 of Auxiliary baseline “A” of said 1953 layout and extends thence, leaving said location line by a curve to the right of 490.00 feet radius and 217.79 feet with a chord bearing of S 3°01’34” W and a chord length of 216.00 feet;
thence	by a curve to the right 165.00 feet radius 256.52 feet with a chord bearing S 60°17’48” W and a chord length of 231.45 feet;
thence	N 75°09’57” W 50.62 feet;
thence	N 54°13’39” W 302.73 feet;
thence	N 45°43’32” W 268.93 feet;
thence	N 44°15’11” W 79.75 feet to a point on the northerly location line of the aforesaid October 18, 2006 (Layout No. 7977) State highway alteration, said point bearing N 53°11 ‘34” E and being 169.21 feet distant from station 157+08.65 of the Main baseline of said 1952 layout;
thence	following the location line of said 2006 (Layout No. 7977) State highway alteration in four courses easterly and southeasterly about 14 feet, 14 feet, 13 feet, and 25 feet, respectively;
thence	following the location line of said December 1, 1953 (Layout No. 4102) State highway alteration in two courses easterly and southeasterly about 274 feet and 330 feet respectively;
thence	following said 2002 State highway layout in two courses northeasterly and southeasterly about 118 feet and 30 feet respectively to the point of beginning.

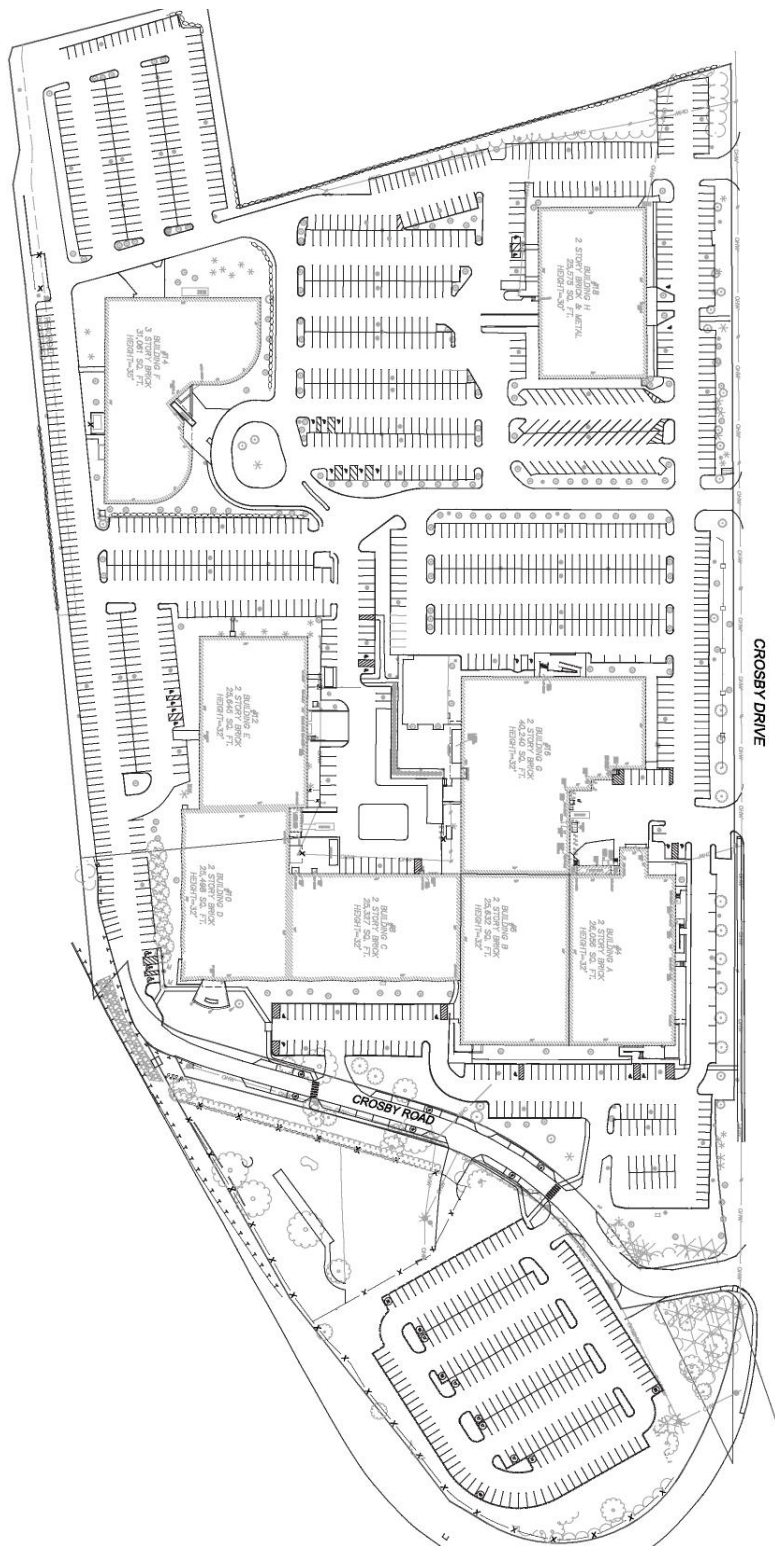
Being shown as **Parcel 4-L5-1** on a plan entitled: “Massachusetts Department of Transportation Plan of Road in the Town of Bedford Middlesex County Altered and Laid Out as a State Highway by the Massachusetts Department of Transportation Highway Division Scale: 40 Feet to the Inch”. Plan prepared by: BSC Group, Inc. 15 Elkins Street, Boston MA 02127, and recorded as Plan No. 512 of 2015.

Exhibit A-1

Site Plan of Complex

A-1-1

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A-1-2

Exhibit B
Sixth Amendment Additional Premises

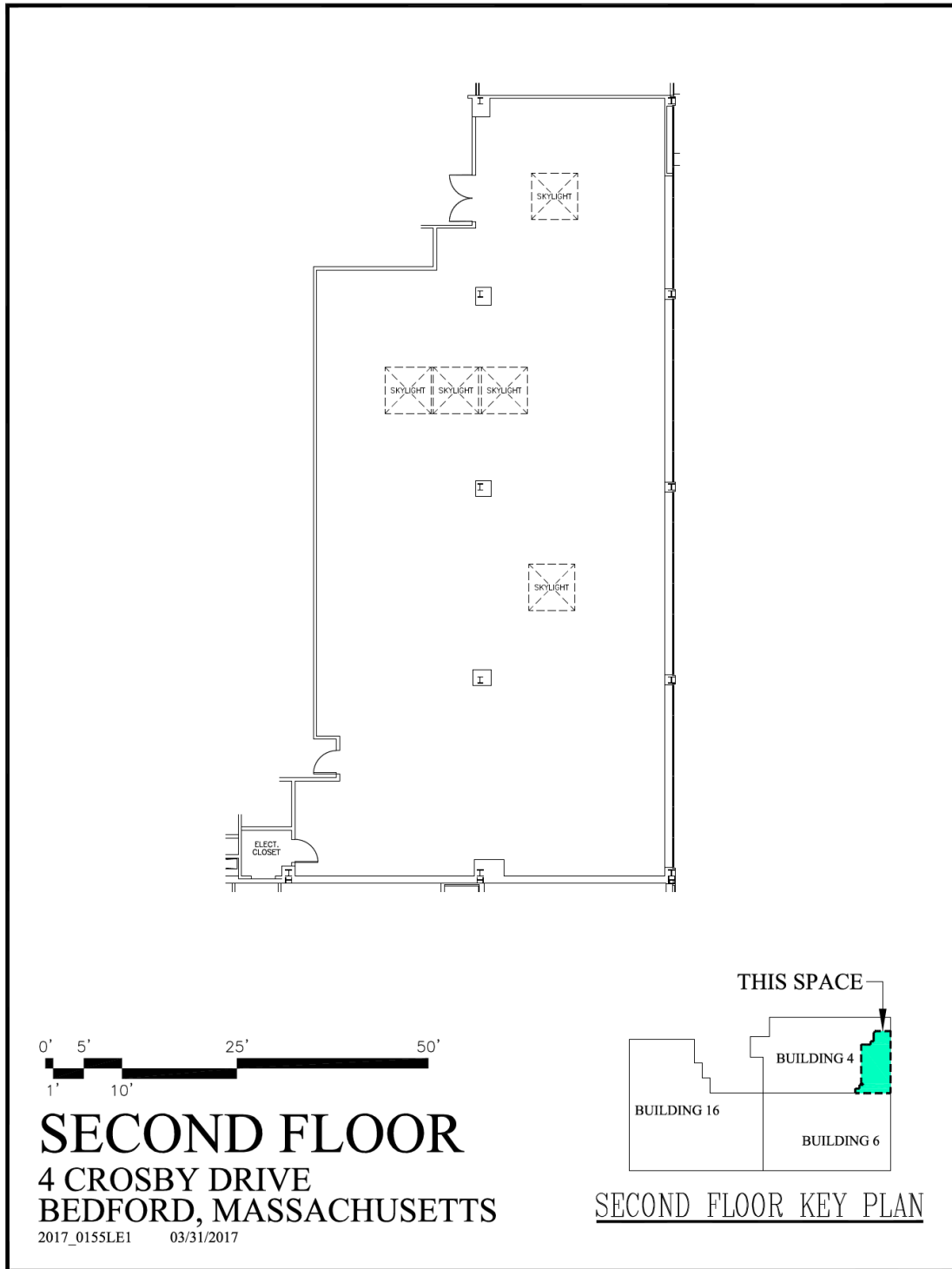


Exhibit C
Landlord Work Letter

- 1.Landlord shall perform improvements to the Premises and the Building in accordance with the work list attached hereto as Attachment #1 (the “**Worklist**”) in a good and workmanlike manner, using new and quality materials and in compliance with all applicable Legal Requirements. The improvements to be performed by Landlord in accordance with the Worklist are hereinafter referred to as “**Landlord's Work**”. Landlord shall enter into a direct contract for Landlord's Work with a general contractor selected by Landlord. In addition, Landlord shall have the right to select and approve of any subcontractors used in connection with Landlord's Work.
- 2.This Work Letter shall not be deemed applicable to any additional space added to the Premises at any time following the execution of the Sixth Amendment or from time to time, whether by any options under the Lease or otherwise, or to any portion of the Premises or any additions to the Premises in the event of a renewal or extension of the Lease Term subsequent to the Sixth Amendment, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease. All capitalized terms used in this Work Letter but not defined herein shall have the same meanings ascribed to such terms in the Sixth Amendment, or if none, the Lease.

Worklist – Landlord’s Work

1. Install a Building Management System to control the HVAC system in the Existing Premises including installation of new controls as needed for RTUs, VAVs, and FTPs tied into a Building Management System throughout the Premises (except for the portion of the Premises on the first floor of 6 Crosby Drive), which Building Management System shall be an Automated Logic Web CTRL System (the “**Landlord’s BMS Work**”). Landlord shall perform the Landlord’s BMS Work in a good and workmanlike manner and shall use commercially reasonable efforts to Substantially Complete the Landlord’s BMS Work by January 1, 2018, subject to Tenant SA Delays and delays resulting from labor disputes (to the extent affecting the area, generally), civil commotion, war, war like operations, invasion, rebellion, hostilities, military or usurped power, sabotage, enactment of new governmental regulations or controls not in effect as of the Effective Date, fire or other casualty, inability to obtain any material or services (to the extent affecting the area, generally), acts of God, adverse weather not reasonably anticipatable, or similar matters beyond Landlord’s reasonable control (“**Force Majeure**”).
2. Install a new glass curtainwall at specified locations of the first floors of 8, 10, and 12 Crosby Drive similar to the existing glass curtainwall on the first floor of 6 Crosby Drive as described in the attached exhibit (the “**Curtainwall Work**”), subject to final construction drawings (the “**Curtainwall Work Plans**”) and permitting approved by Tenant, which approval will not be unreasonably withheld, conditioned or delayed and shall not be withheld if the Curtainwall Work Plans reflect Curtainwall Work consistent with the curtainwall installation performed to Building 6. If Landlord’s request for approval indicates in bold, capitalized text that states “THIS IS A TIME SENSITIVE REQUEST AND TENANT MAY BE DEEMED TO APPROVE THE SAME IF IT FAILS TO RESPOND WITHIN FIFTEEN (15) BUSINESS DAYS AFTER RECEIPT,” within fifteen (15) business days after receipt thereof Tenant shall provide Landlord with written notice of either (i) its approval of the Curtainwall Work Plans, (ii) its disapproval of the same with an explanation therefor, or (iii) the need for additional information in order to review and approve the same. If Tenant fails to respond within the aforementioned 15 business day period, then Landlord may send Tenant a second request that indicates in bold, capitalized text that states “THIS IS A TIME SENSITIVE REQUEST AND TENANT SHALL BE DEEMED TO APPROVE THE SAME IF IT FAILS TO RESPOND TO WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT”, and Tenant’s failure to so respond within said five (5) business day period shall be deemed to constitute Tenant’s approval of the Curtainwall Work Plans.

Landlord shall perform the Curtainwall Work in accordance with a construction and phasing schedule to be mutually agreed to by Landlord and Tenant, and Tenant will cooperate with Landlord in the agreed-upon phased construction process as reasonably required to minimize Tenant SA Delay and achieve completion of the Curtainwall Work in accordance with the construction and phasing schedule agreed to by the parties. Landlord shall perform the Curtainwall Work in a good and workmanlike manner, using new and quality materials and shall use reasonable efforts to minimize unreasonable interference with Tenant’s use of the Premises and the conduct of business therein, including using reasonable efforts to perform any unreasonably noisy work or work generating

unreasonable vibrations into the Premises outside of Tenant's normal business hours. Landlord shall use all reasonable efforts to Substantially Complete the Curtainwall Work by March 31, 2018, subject to Force Majeure and any Tenant SA Delay (as hereinafter defined). Landlord and Tenant agree and acknowledge that the Curtainwall Work is to be completed in two phases (one phase for Curtainwall Work in Building 8, and a second for Curtainwall Work in Buildings 10 and 12), and that during the completion of each phase (which phases are anticipated to last between 1 and 3 months each), Tenant shall be required to relocate all furniture, equipment, and employees within 15 feet of the exterior walls of the first and second floors of the affected Premises (the "**Protected Area of the Premises**").

For purposes of this Exhibit C, "**Tenant SA Delay**" shall mean any delay in the design, permitting or performance of the Landlord's BMS Work or the Curtainwall Work to the extent that such delay is actually caused by any act or, where there is a duty to act under this Lease, any failure to act by Tenant or Tenant's contractors, architects, engineers, or anyone else engaged by or on behalf of Tenant as hereinafter provided. Tenant SA Delay shall expressly include (without the need for any further notice to Tenant) Tenant's failure to comply with the dates set forth in the construction and phasing schedule for the Curtainwall Work agreed to by Landlord and Tenant or any subsequent changes to such phasing schedule mutually agreed to by Landlord and Tenant or the period for providing any response to a request by landlord expressly set forth in this Attachment #1 ("**Deemed Delays**"). Notwithstanding the foregoing, except for failure to act in a timely manner (including in accordance with the dates set forth in the construction and phasing schedule for the Curtainwall Work) by Tenant or Tenant's contractors, architects, engineers, or anyone else engaged by or on behalf of Tenant, in no event shall any act or occurrence giving rise to a delay be deemed a Tenant SA Delay as herein provided unless and until Landlord has given Tenant written notice (the "**Tenant SA Delay Notice**") advising Tenant: (x) that a Tenant SA Delay is occurring and setting forth Landlord's good faith estimate as to the likely length of such Tenant SA Delay; (y) of the basis on which Landlord has determined that a Tenant SA Delay is occurring; and (z) the actions which Landlord believes that Tenant must take to eliminate such Tenant SA Delay. Except with respect to Deemed Delays, no event shall be deemed to be a Tenant SA Delay if Tenant rectifies the situation causing the Tenant SA Delay within forty-eight (48) hours after delivery of the Tenant SA Delay Notice (which for the purposes of determining receipt may be delivered by hand or by email to Tenant's Construction Representative (as defined in Section 7 of Exhibit D), with copies to follow to Tenant within five (5) days thereafter in accordance with the notice provisions of the Lease); provided, however, that if Tenant shall fail to eliminate the delay within the aforesaid 48-hour period, then the 48-hour cure period shall be included in the period of time charged to Tenant pursuant to such Tenant SA Delay Notice (it being understood and agreed that if Tenant shall in fact eliminate the Tenant SA Delay within the 48-hour cure period, no Tenant SA Delay shall be deemed to have occurred for the purposes of this Exhibit C for the first three (3) instances of Tenant SA Delay). In connection with the foregoing, Landlord and Tenant (together with their respective contractors and representatives, as appropriate) agree to hold periodic job meetings to discuss the performance and scheduling of the Curtainwall Work and any changes to the construction and phasing schedule for the Curtainwall Work that are reasonably necessary. Upon substantial completion of the Curtainwall Work, Tenant's Construction Representative shall accompany Landlord's Construction Representative and Landlord's architect on a walkthrough to inspect the Curtainwall Work on a date within 10 business days of a date reasonably designated by Landlord. Upon Tenant's request,

Landlord shall provide Tenant with confirmation of the date of substantial completion for purposes of measuring the 345 day period referenced in the immediately following paragraph.

Landlord shall cause the Contractor to provide a customary one-year construction warranty for the Curtainwall Work, which shall provide that the Curtainwall Work will conform to the requirements of the Curtainwall Work Plans and will be free from defects. The Contractor's warranty shall not include remedies for damage or defect caused by Tenant or anyone claiming by, through or under Tenant, alterations to the Curtainwall Work performed by or on behalf of Tenant, or normal wear and tear under normal usage. In the case of defects under the Contractor's warranty, Tenant shall be deemed to have waived any claim for correction or cure for such defect on the date that is 345 days following the completion of such work as determined by Landlord's architect if Tenant has not then given written notice of such defect to Landlord. Landlord shall cause Landlord's contractor to remedy, repair or replace any such defects identified by Tenant within such 345-day period, such action to occur as soon as practicable during normal working hours (unless such work will adversely affect Tenant's operations in the affected portions of the Premises, in which case the parties shall cooperate to permit such work to be performed after-hours) and so as to avoid any unreasonable interruption of Tenant's use of the affected portions of the Premises. If timely and adequate notice has been given and if Landlord has other guarantees, contract rights, or other claims against contractors, materialmen or architects, Landlord shall, with regard to any such defects, exercise all reasonable efforts to enforce such guarantees or contract rights. The foregoing shall constitute Landlord's entire obligation with respect to all defects in the Landlord Work (provided, however, that nothing in this paragraph shall relieve the Landlord of its repair and maintenance obligations under Section 4.1 of the Lease). During the period for correction of the Curtainwall Work in accordance with this paragraph, if the Tenant fails to notify the Owner and give the Owner an opportunity to cause the contractor to make the correction, the Tenant waives the rights to require correction by the contractor and to make a claim for breach of Landlord's obligations under this paragraph for such nonconforming item of Curtainwall Work (nothing in this sentence being deemed to relieve Landlord of its repair and maintenance obligations under the Lease, however).

1. Notwithstanding anything contained in this Lease to the contrary, if Landlord shall fail to substantially complete (y) the Landlord's BMS Work on or before June 1, 2018 (which date shall be extended automatically for Tenant SA Delay and for such periods of time as Landlord is prevented from completing the same by reason of Force Majeure), or (iii) the Curtainwall Work by November 1, 2018 (which date shall be extended automatically for Tenant SA Delay and for such periods of time as Landlord is prevented from completing the same by reason of Force Majeure), then, in either such event, Tenant, as its sole remedy at law, equity, or under this Lease, shall be entitled to a credit against the Annual Fixed Rent payable under this Lease in an amount equal to Five Hundred Dollars (\$500.00) per day for each day from and after the applicable completion date set forth above (i.e., June 1, 2018 (as it may be extended) with respect to Landlord's BMS Work or November 1, 2018 (as it may be extended) with respect to the Curtainwall Work) to the date of completion of the Landlord's BMS Work or the Curtainwall Work, as applicable. Additionally, if Landlord's performance of any portion of the Curtainwall Work requires Tenant to vacate and not use a portion of the Protected Area of the Premises for in excess

of six (6) months, subject to extension for Tenant SA Delay and Force Majeure, then the Annual Fixed Rent for the applicable portion of the Protected Area of the Premises plus an additional ten percent (10%) of the Premises as measured in rentable square feet shall abate from and after the expiration of such six (6) month period (as so extended) until such time as Tenant is reasonably able to reoccupy and conduct business in such affected areas of the Premises. In the event that Landlord disputes Tenant's right to a rent abatement pursuant to this paragraph, such dispute may be submitted to arbitration by either party pursuant to Section 8 of Exhibit D to this Sixth Amendment.

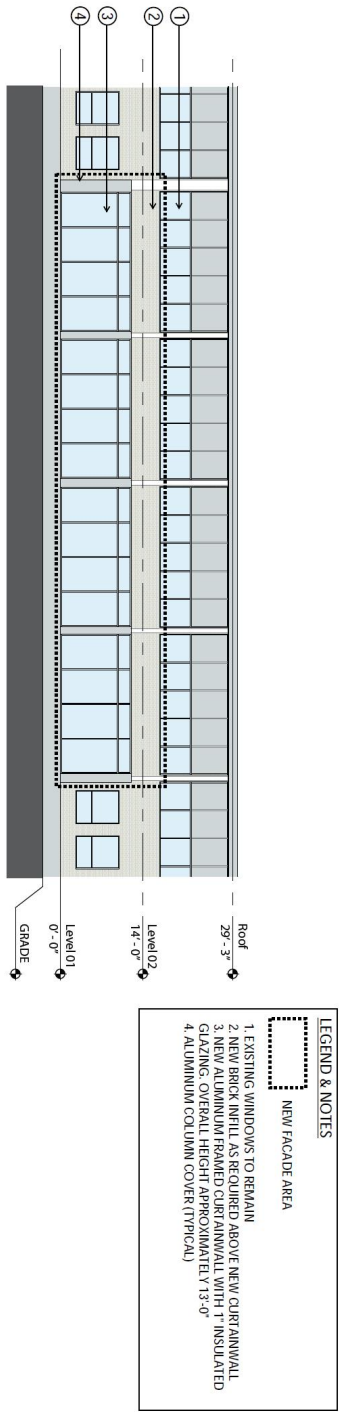


FIGURE 1: BUILDING 8 SOUTH ELEVATION

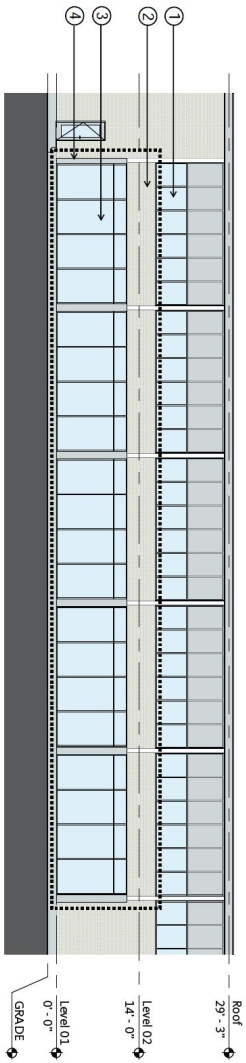


FIGURE 2: BUILDING 8 NORTH ELEVATION

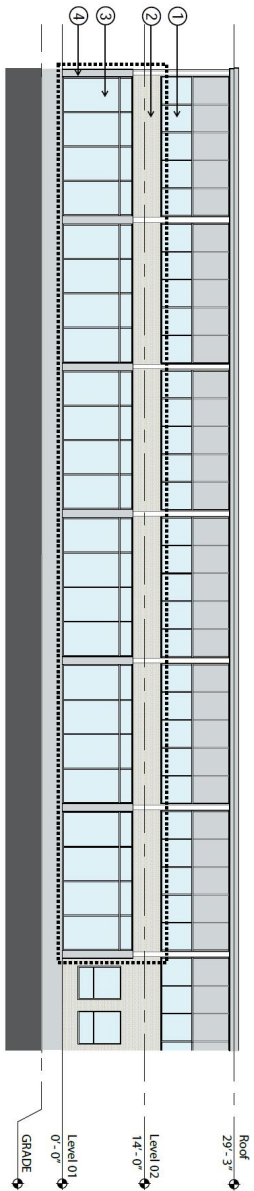


FIGURE 3: BUILDING 10 WEST ELEVATION

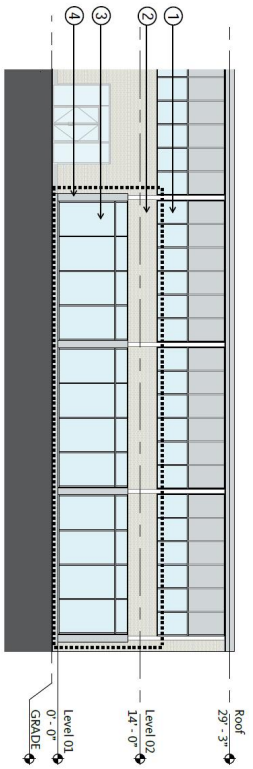

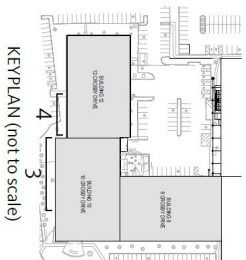


FIGURE 4: BUILDING 12 WEST ELEVATION

- LEGEND & NOTES**
-  NEW FACADE AREA
1. EXISTING WINDOWS TO REMAIN
 2. NEW BRICK INFILL AS REQUIRED ABOVE NEW CURTAINWALL
 3. NEW ALUMINUM FRAMED CURTAINWALL WITH T-INSULATED GLAZING, OVERALL HEIGHT APPROXIMATELY 13'-0"
 4. ALUMINUM COLUMN COVER (TYPICAL)



KEYPLAN (not to scale)



The Davis Companies

Xchange at Bedford
iRobot Facade Improvements

Gensler

EXHIBIT D

WORK LETTER – SIXTH AMENDMENT TENANT ALTERATIONS

1. Following the Effective Date, Tenant shall have the right to perform alterations and improvements in the Premises (the “**Sixth Amendment Tenant Alterations**”). Notwithstanding the foregoing, Tenant and its contractors shall not have the right to perform the Sixth Amendment Tenant Alterations in the Premises unless and until Tenant has complied with all of the terms and conditions of Section 5.14 of the Lease, including Landlord’s right to approve (a) the final plans for the Sixth Amendment Tenant Alterations, and (b) the insurance coverage obtained by Tenant and its contractors in connection with the Sixth Amendment Tenant Alterations. In addition, Landlord shall have the right to approve, in its reasonable discretion, the contractors (each, a “**Contractor**”) to be retained by Tenant to perform the Sixth Amendment Tenant Alterations. Tenant shall be responsible for all elements of the plans for the Sixth Amendment Tenant Alterations (including, without limitation, compliance with law, functionality of design, the structural integrity of the design, the configuration of the premises and the placement of Tenant’s furniture, appliances and equipment), and Landlord’s approval of such plans shall in no event relieve Tenant of the responsibility therefor. Landlord’s approval of the contractors to perform the Sixth Amendment Tenant Alterations shall not be unreasonably withheld. Landlord’s approval of the general contractor to perform the Sixth Amendment Tenant Alterations shall not be considered to be unreasonably withheld if any such general contractor (i) does not have trade references reasonably acceptable to Landlord, (ii) does not maintain insurance as required by Landlord, (iii) does not have the ability to be bonded for the work in an amount satisfactory to Landlord, (iv) does not provide current financial statements reasonably acceptable to Landlord, or (v) is not licensed as a contractor in the state and municipality in which the Premises is located. Tenant acknowledges the foregoing is not intended to be an exclusive list of the reasons why Landlord may reasonably withhold its consent to a general contractor.

With respect to Sixth Amendment Tenant Alterations constructed within the two years after the Effective Date, Landlord shall review Tenant’s plans and specifications for the Sixth Amendment Tenant Alterations (the “**Tenant’s Plans**”) and, if Tenant’s request for approval indicates in bold, capitalized text that states “THIS IS A TIME SENSITIVE REQUEST AND LANDLORD MAY BE DEEMED TO APPROVE THE SAME IF IT FAILS TO RESPOND TO WITHIN FIFTEEN (15) BUSINESS DAYS AFTER RECEIPT,” within fifteen (15) business days after receipt thereof Landlord shall provide Tenant with written notice of either (i) its approval of the Tenant’s Plans, (ii) its disapproval of the same with an explanation therefor, or (iii) the need for additional information in order to review and approve the same. In its approval of the Tenant’s Plans, Landlord shall specify those alterations, additions and improvements that must be removed by Tenant at the expiration or earlier termination of the Term, if any, unless Landlord subsequently elects to waive such obligation to remove such alterations, additions and improvements. If Landlord fails to respond within the aforementioned 15 business day period, then Tenant may send Landlord a second request that indicates in bold, capitalized text that states “THIS IS A TIME SENSITIVE REQUEST AND LANDLORD SHALL BE DEEMED TO APPROVE THE SAME IF IT FAILS TO RESPOND TO WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT”. Landlord’s failure to so respond within said five (5) business day period shall be deemed to constitute Landlord’s approval of the Tenant’s

Plans and determination that the alterations, additions and improvements shown thereon do not need to be removed by Tenant at the expiration or earlier termination of the Term (except to the extent that such removal would be required pursuant to clause (x) of Section 5.2 of the Lease with respect to Tenant's computer, telephone and other communications systems and equipment). Notwithstanding the foregoing or anything in the Lease to the contrary, Tenant shall be required in all events to remove any internal stairwells, raised floors, supplemental HVAC, specialized fire suppression systems, kitchens, bathrooms and showers, and any structural improvements made by Tenant as part of the Sixth Amendment Tenant Alterations.

Notwithstanding anything contained herein to the contrary, it is understood and agreed that Tenant may retain contractors and subcontractors that use union or non-union labor in connection with the construction of the Sixth Amendment Tenant Alterations. Tenant shall be responsible for maintaining labor harmony among its contractors and subcontractors and other contractors and subcontractors performing work at the Building, if any. For Sixth Amendment Tenant Alterations costing \$3,000,000 or less in or one or more related projects and undertaken within two years after the Effective Date, no bonds or other security shall be required in connection with Tenant's performance of such Sixth Amendment Tenant Alterations.

2. Tenant shall pay to Landlord, within ten (10) days after Landlord's written demand, a construction management fee equal to one percent (1%) of the hard cost of the Sixth Amendment Tenant Alterations to compensate Landlord for reviewing the plans for the Sixth Amendment Tenant Alterations and for costs incurred by Landlord in facilitating completion of the Sixth Amendment Tenant Alterations. No other plan review or other fees shall be charged by Landlord with respect to the Sixth Amendment Tenant Alterations notwithstanding anything in the Lease to the contrary, including Section 5.14 of the Lease. Landlord reserves the right to deduct such fee from the Sixth Amendment Construction Allowance (defined below). The construction management fee set forth in this section shall supersede any contrary provision of the Lease in so far as concerns the Sixth Amendment Tenant Alterations.

3. Provided there is no monetary or material non-monetary Event of Default in existence and continuing under the Lease, Landlord agrees to provide Tenant with an allowance of up to Eight Million Three Hundred Forty Seven Thousand Four Hundred Forty Dollars (\$8,347,440.00) (the "**Sixth Amendment Construction Allowance**") toward the cost of performing the Sixth Amendment Tenant Alterations. The Sixth Amendment Construction Allowance may only be used for "**Eligible Costs**," which are: (a) the cost of preparing design and construction documents and mechanical and electrical plans for the Sixth Amendment Tenant Alterations (which may not exceed 25% of the Sixth Amendment Construction Allowance), and (b) hard costs in connection with the Sixth Amendment Tenant Alterations.

The Sixth Amendment Construction Allowance may be advanced to fund Eligible Costs. In no event, however, shall the Sixth Amendment Construction Allowance be used for (x) payments to Tenant or any affiliates of Tenant, (y) the purchase of any movable furniture equipment or personal property, or (z) costs resulting from any default by Tenant of its obligations under this Lease. Landlord shall, subject to compliance with all of the other terms, conditions and provisions of the

Lease, make disbursements of the Sixth Amendment Construction Allowance (hereinafter, each a “**Disbursement**”) to Tenant in installments in accordance with the following terms and conditions:

(i) Disbursements shall be made, at Tenant’s request to Landlord, either to Tenant or, at Tenant’s election, to the applicable contractors, vendors and other service providers performing the Sixth Amendment Tenant Alterations as Tenant may designate or request (provided that any such payment made directly to a contractor, vendor, or other service provider shall be conditioned upon the contractor, vendor or other provider entering into a letter agreement reasonably satisfactory to Landlord confirming that such payments are being made as a matter of convenience and do not create any obligation of Landlord to pay such sums to such contractor, vendor or other service provider), no more frequently than once per month, in minimum increments of \$75,000.00 (except for the final Disbursement), on the basis of written requests made in accordance with the method described below, and Landlord shall act upon such requests within thirty (30) days following the receipt of a written request for a Disbursement, which action shall be either (A) funding the requested Disbursement, or (B) specifying the basis for not funding (provided, however, that Landlord shall fund any undisputed portion of the requested Disbursement) and, when applicable, requesting reasonable additional information and reasonable supporting documentation.

(ii) Disbursements shall require the following requisitions, certifications and waivers: (1) an appropriate AIA requisition form reasonably approved by Landlord with respect to work performed pursuant to Tenant’s construction contract with its general contractor; (2) invoices from Tenant’s service providers, showing in reasonable detail the cost of the item in question or of the improvements installed to date in the Premises and, where applicable evidence of prior payments; (3) lien waivers in the form attached as Addendum #1 to this Work Letter; (4) evidence reasonably acceptable to Landlord of prior payments for amounts previously disbursed out of the Sixth Amendment Construction Allowance (to the extent not previously provided to Landlord); and (5) certifications from Tenant that the amount of the requisition in question does not exceed the cost of the items, services and work covered by such certification. In the event that any portions of the Sixth Amendment Construction Allowance reflected on a particular requisition are to be funded directly to Tenant, as Tenant may designate or request, such requisition shall be accompanied by evidence reasonably satisfactory to Landlord that the items, services and work covered by such requisition have been fully paid by Tenant. Landlord shall have the right, upon reasonable advance notice to Tenant, to inspect Tenant’s books and records relating to each requisition in order to verify the amount thereof.

(iii) Each Disbursement shall be made in an amount equal to the product of (x) Landlord’s Percentage (as hereinafter defined) multiplied by (y) the lesser of: (A) the amount requested, or (B) the amount actually payable to, as applicable, the Contractor or subcontractor(s) or other third party, in each case including any applicable retainage to be released in respect of work and materials satisfactorily completed and in place with respect to that particular request for a Disbursement (exclusive of work and materials to the extent included in any prior funded requests for a Disbursement), but in all cases subject to a five percent (5%) retention until all conditions to the final Disbursement are satisfied as set forth below. “**Landlord’s Percentage**” shall mean a fraction expressed as a percentage, the numerator of which is the total amount of the Sixth Amendment

Construction Allowance and the denominator of which is the total cost of all Eligible Costs. Tenant shall fund the remainder in each instance.

(iv) Landlord may withhold or refuse to pay any Disbursement hereunder if (i) a Notice of Contract has been filed under Section 4 of Chapter 254 of the Massachusetts General Laws, as amended (the “**Mechanic’s Lien Law**”), unless with respect to the subject requisition, an accurately completed and valid Lien Form has been provided to Landlord and is deemed reasonably acceptable to Landlord and otherwise complies with applicable Laws, or if any other statutory lien has been filed or established relating to claims for labor, materials, or supplies, whether under the Mechanic’s Lien Law or otherwise.

(v) No Disbursements will be made for materials prior to the incorporation of the materials into the Premises.

(vi) Any disputes under this Exhibit D, Section 3 shall be submitted to arbitration in accordance with the terms of Section 8, below.

(vii) The requisition for the final Disbursement to pay the retainage, shall also require: (A) a certificate from Tenant and Tenant’s architect that the Sixth Amendment Tenant Alterations have been completed in accordance with Tenant’s Plans; (B) receipt of a permanent certificate of occupancy for the Premises (if applicable); (C) delivery of the record set of as-built plans maintained by Tenant’s Contractor; (D) satisfaction of all conditions for final payment under the applicable construction contract, (E) final lien waivers from the Contractor (which may be conditioned upon receipt of payment), in the form required hereunder; (E) final lien waivers in the form required hereunder (which may be conditioned upon receipt of payment) from each sub-contractor, supplier, and any other party entitled to claim a lien with respect to the Sixth Amendment Tenant Alterations (other than the Contractor) who performs work in excess of \$10,000; and (F) to the extent a lien waiver has not been provided as to the remaining amounts due under the applicable construction contract, the expiration of all statutory lien periods with no lien having been filed with respect to the Premises, the Building, or the Complex which remain outstanding.

4. Notwithstanding anything herein to the contrary, Landlord shall not be obligated to disburse any portion of the Sixth Amendment Construction Allowance, if applicable, during the continuance of an uncured Event of Default under the Lease, and Landlord’s obligation to disburse shall only resume when and if such default is cured. If (a) Tenant’s request for disbursement contains, in bold and prominent print, a legend stating that “FAILURE TO RESPOND WITHIN THIRTY (30) DAYS MAY RESULT IN AN OFFSET AGAINST RENT DUE PURSUANT TO EXHIBIT D OF THE SIXTH AMENDMENT TO THE LEASE,” and Landlord fails to respond within such thirty (30) day period, and Landlord thereafter fails to respond to such request within two (2) business days of a second notice from Tenant containing such legend, or (b) Landlord has timely disputed Tenant’s demand and has thereafter failed to pay Tenant the amount of any final, unappealable judgement against Landlord within thirty (30) days after the issuance thereof, then Tenant may offset the amounts due from Landlord to Tenant under this Section 2 of Exhibit D against Fixed Rent payable under this Lease until Tenant is paid in full. Notwithstanding the foregoing, Tenant shall have no right to reduce any monthly installment of Fixed Rent by more than twenty percent (20%) of the amount of Annual Fixed Rent that would otherwise have been due and payable by

Tenant to Landlord, unless the aggregate amount of such deductions over the remainder of the Term of the Lease (as the same may have been extended) will be insufficient to fully reimburse Tenant for the amount demanded by Tenant, in which event Tenant may effect such offset by making deductions from each monthly installment of Fixed Rent in equal monthly amounts over the balance of the remainder of the Term.

5. In no event shall the Sixth Amendment Construction Allowance be used for the purchase of equipment, furniture or other items of personal property of Tenant. In the event Tenant does not submit to Landlord a written request for payment of the entire Sixth Amendment Construction Allowance (together with all of the documents and certificates required for such payment) by February 28, 2021, any portion of the Sixth Amendment Construction Allowance not disbursed to Tenant shall accrue to the sole benefit of Landlord, it being understood that Tenant shall not be entitled to any credit, abatement or other concession in connection therewith. Tenant shall be responsible for all applicable state sales or use taxes, if any, payable in connection with the Sixth Amendment Tenant Alterations and/or the Sixth Amendment Construction Allowance.

6. Tenant agrees to accept the Premises in its "as-is" condition and configuration, without representation or warranty by Landlord or anyone acting on Landlord's behalf, it being agreed that Landlord shall not be required to perform any work (except the Landlord Work set forth in Exhibit C to the Sixth Amendment) or incur any costs in connection with the construction or demolition of any improvements in the Premises (except as provided above with respect to the Sixth Amendment Construction Allowance). The foregoing shall not limit or waive Landlord's express obligations under the Lease with respect to the Premises, the Building or the Complex.

7. Chad Haskell (phone no. _____, email _____) shall be Tenant's Construction Representative, and shall have full power and authority to act on behalf of Tenant on any matters relating to the Landlord Work or Tenant's Sixth Amendment Tenant Alterations. Tenant may name a replacement Tenant Construction Representative from time to time by written notice to Landlord making reference to this Section 7. _____ (phone no. _____, email _____) shall be Landlord's Construction Representative, shall have full power and authority to act on behalf of Landlord on any matters relating to the Landlord Work or Tenant's Sixth Amendment Tenant Alterations. Landlord may name a replacement Landlord Construction Representative from time to time by written notice to Tenant making reference to this Section 7.

8. All disputes between the parties regarding Tenant SA Delays and other matters expressly referencing this Section 8 shall be resolved in accordance with this Section 8. Any arbitration decision under this Section 8 shall be enforceable in accordance with applicable law in any court of proper jurisdiction. A party may not initiate arbitration under this Section 8 without notifying the other party and requesting a meeting of senior representatives to resolve the dispute. Within five (5) business days following such notice, senior representatives of Landlord and Tenant who have authority to resolve the dispute shall meet in order to seek a resolution by agreement prior to the arbitration. If the dispute is not so resolved at the meeting (or if one party does not attend) then either party may initiate arbitration.

Any arbitration conducted pursuant to this Section 8 shall be conducted in as expeditious a manner as possible to avoid delays in the construction of the Landlord's Work and the Sixth Amendment

Tenant Alterations and shall be resolved by a single arbitrator, who shall be agreed to by the parties within ten (10) days after either party requests arbitration under this Section 8 by notice to the other. Landlord and Tenant shall seek to agree upon a single arbitrator who is an independent third party real estate professional with at least twenty (20) years of experience in construction disputes involving multi-tenant, first-class office developments that has not worked for either party for the prior five (5) years (a “**Qualified Arbitrator**”) and, if they are unable to agree, then a Qualified Arbitrator shall, upon request by either party, be appointed by the office of the American Arbitration Association (“**AAA**”) or successor organization administering arbitrations held in Boston, Massachusetts. The arbitrator shall decide the dispute by written decision. The arbitration shall be conducted in Boston Massachusetts or another location agreed to by the parties in accordance with the Fast Track Procedures (regardless of the amount in dispute) of the Construction Industry Arbitration Rules of the AAA (or any successor organization), as modified and/or supplemented by this Section on an expedited basis and shall be concluded, with a decision issued, no later than thirty (30) days after the date that such dispute is submitted for arbitration. The decision of the arbitrator shall be final and binding on the parties. The parties shall comply with any orders of the arbitrator establishing deadlines for any such proceeding. The fee of the arbitrator shall be paid equally by the parties. Each party shall pay all other costs incurred by it in connection with the arbitration.

9. This Work Letter shall not be deemed applicable to any additional space added to the Premises at any time following the execution of the Sixth Amendment or from time to time, whether by any options under the Lease or otherwise, or to any portion of the Premises or any additions to the Premises in the event of a renewal or extension of the Lease Term subsequent to the Sixth Amendment, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease. All capitalized terms used in this Work Letter but not defined herein shall have the same meanings ascribed to such terms in the Sixth Amendment, or if none, the Lease.

[END OF EXHIBIT D]

D-6

ADDENDUM #1 TO EXHIBIT D TO SIXTH AMENDMENT TO LEASE

FORMS OF LIEN WAIVER

[FORM OF ARCHITECT'S LIEN WAIVER]

Payment Receipt and Affidavit

To: _____ (“**Owner**”)

Project: _____

Application for Payment No.: _____

Period Ending: _____

Progress Payment: _____ Final Payment: _____ (check one or the other)

A. Original Contract Amount	\$ _____
B. Total Additional Services Amounts, if any	\$ _____
C. Adjusted Contract Amount (Add A & B)	\$ _____
D. Amount Paid to Date Before this Application	\$ _____
E. Retainage Held on Amount Paid to Date, if any	\$ _____
F. Amount Owing on this Application	\$ _____
G. Retainage to be Held on this Application, if any	\$ _____
H. Total Owing on this Application (F minus G)	\$ _____

1. Except for any Disputed Claims Amount set forth below, Retainage Held and to be Held and Total Owing on this Application set forth above, Undersigned, on its behalf and on behalf of anyone directly or indirectly employed by or claiming under it, hereby fully and forever releases, acquits and discharges Owner, its general and limited Owner, agents, attorneys, employees, officers, directors, trustees, stockholders, managers, members, lenders, and their respective successors and assigns, whether disclosed or undisclosed (individually and collectively hereinafter referred to as the “**Releasees**”), from all manner of action and causes of action, claims, suits, debts, sums of money, commissions, compensation for services rendered, liens of any type, trust fund claims, judgments, executions, damages, demands and rights whatsoever, at law or in equity, now existing or which may hereafter accrue in favor of

Undersigned by reason of or in connection with any and all claims arising out of its contract, and for all work, labor and services furnished, performed and provided pursuant thereto including without limitation all claims for additional services, reimbursable expenses, charges, credits, contract amendments thereto and all other services with regard to the Project through the Period Ending set forth above. The foregoing shall be with respect to all matters arising through the Period Ending set forth above if this Affidavit is given in connection with a Progress Payment; and if given in connection with Final Payment it shall be with respect to all matters existing or arising through the date hereof or hereafter at any time existing or arising.

2. Undersigned certifies, warrants and represents that (a) it has paid in full and in accordance with all applicable obligations, laws and regulations, for all labor and services performed and furnished in connection with the services under its contract, all social security withholding, unemployment insurance, sales, use and other taxes applicable thereto and for all premiums for insurance carried with respect thereto; (b) it owes no one for any of the foregoing or any other item of cost or expense in connection with the performance or furnishing of the services under its contract; and that (c) no claims have been made against Undersigned for any unpaid labor, services or any other item of cost and expense arising out of or relating to the services under its contract that are not currently paid and satisfied.

3. Undersigned certifies, warrants and represents (i) that the "Amount Owing on this Application" set forth above constitutes the entire value of all services rendered by or under the undersigned for which payment is due through the Period, (ii) that all other amounts set forth above are accurate and complete, and (iii) that the Undersigned has no other claims except as set forth in the maximum aggregate amount as "**Disputed Claims Amount**" below and described in detail on Exhibit A attached (any such description must include a detailed statement of the kind and nature of the claim and must have attached a copy of the notice given of such claim).

4. If, after the Owner's payment of the Total Owing on this Application, any claims or liens are made or filed against any of the Releasees or the Project by Undersigned, or by any employee, other design professional, subcontractor or supplier of Undersigned or by anyone directly or indirectly employed or engaged by any of the foregoing with respect to the Project, or if any certification, warranty or representation herein or otherwise given in connection herewith shall not be true in all material respects, Undersigned agrees to satisfy and discharge such claim or lien and indemnify the Releasees, hold the Releasees harmless and defend the Releasees, at Undersigned's sole cost and expense, from and against such claim or lien or any such certification, warranty or representation not being true, and to pay all costs and expenses related thereto, including, but not limited to, the cost of discharging any liens and all legal fees, disbursements and costs of litigation in connection with any of the foregoing. To the fullest extent permitted by law, the Undersigned discharges, releases and waives all liens and right to lien expressly including such rights with respect to the Amount Paid to Date Before this Application and, when paid, with respect to the Total Owing on this Application.

5. Undersigned makes this Affidavit freely and voluntarily, without duress or coercion, after Undersigned has either consulted with or been given the opportunity to consult

with legal counsel, and Undersigned has carefully and completely read all of the terms and provisions of this Affidavit and has agreed to be bound hereby.

6. Undersigned acknowledges that the foregoing statements, representations, warranties and agreements are made as an affidavit under applicable law and otherwise to induce the Owner to make the payment requested and its lender to provide funds under its loan, and that the Releasees are relying upon the truth of the statements, representations and warranties contained herein.

7. Undersigned acknowledges that this Affidavit shall inure to the benefit of the Releasees and their respective successors and assigns and shall be binding on Undersigned and its successors and assigns. If any part or provision hereof is unenforceable, the remainder shall not be affected.

In witness whereof, Undersigned has caused this instrument to be sworn to executed under seal as of the ____ day of _____, 20____.

Disputed Claims Amount, if any \$_____ (see attached Exhibit A)

Design Professional:

(Type Name)

By:

(Duly Authorized)

STATE OF _____

_____ County, ss.

On this ____ day of _____, 200_, before me, the undersigned notary public, personally appeared _____, proved to me through satisfactory evidence of identification of a driver's license to be the person whose name is signed on the preceding or attached document, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of (his) (her) knowledge and belief.

(official signature and seal of notary)

My commissions expires _____

[FORM OF CONTRACTOR'S LIEN WAIVER]

PARTIAL WAIVER AND SUBORDINATION OF LIEN
M.G.L. c. 254, §32

COMMONWEALTH OF MASSACHUSETTS: Date: _____, ____ 200__
MIDDLESEX COUNTY Application for Payment No. ____

OWNER: _____

CONTRACTOR: _____

LENDER/MORTGAGEE: _____

1.	Original Contract Amount:	\$_____
2.	Approved Change Orders:	\$_____
3.	Adjusted Contract Amount:	\$_____
4.	Completed to Date:	\$_____
5.	Less Retainage:	\$_____
	Total Payable to Date:	
6.	(line 6 less line 5)	\$_____
7.	Less Previous Payments:	\$_____
	Current Amount Due:	
8.	(line 6 less line 7)	\$_____
9.	Pending Change Orders:	\$_____
10.	Disputed Claims:	\$_____

The undersigned who has a contract with Owner, for furnishing labor or materials or both labor and materials or rental equipment, appliances or tools for the erection, alteration, repair or removal of a building or structure or other improvement of real property with a street address of _____, _____, Massachusetts, and owned by Owner, upon receipt of _____ (\$_____) in payment of an invoice/requisition/application for payment dated _____ does hereby:

- (a) waive any and all liens and right of lien on such real property for labor or materials, or both labor and materials, or rental equipment, appliances or tools, performed or furnished through the following date:

_____ (payment period), except for retainage, unpaid agreed or pending change orders, and disputed claims as stated above; and

- (b) subordinate any and all liens and right of lien to secure payment for such unpaid, agreed or pending change orders and disputed claims, and such further labor or materials, or both labor and materials, or rental equipment, appliances or tools, except for retainage, performed or furnished at any time through the twenty-fifth day after the end of the above payment period, to the extent of the amount actually advanced by the above lender/mortgagee through such twenty-fifth day.

Signed under the penalties of perjury this ____ day of _____, ____.

Contractor:

By: _____

Its: _____

COMMONWEALTH OF MASSACHUSETTS

_____ County, ss.

On this ____ day of _____, 200_, before me, the undersigned notary public, personally appeared _____, proved to me through satisfactory evidence of identification, which was _____, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (he) (she) signed it voluntarily for its stated purpose, as _____ of _____, a _____.

(official signature and seal of notary)

Name: _____

My commission expires: _____

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CONTRACTOR'S CONDITIONAL WAIVER AND
RELEASE UPON FINAL PAYMENT
(Submitted with final application for payment)

OWNER: _____

CONTRACTOR: _____

PROJECT: _____

Contract Sum: \$_____

Total Amount Previously Paid: \$_____

Final Payment Amount: \$_____

In consideration of all past payments received from the Owner in connection with the Project, the undersigned acknowledges and agrees that, except for the Final Payment Amount (as set forth above), it has received full and final payment of all sums due, including all sums due under its Contract with Owner, for labor, materials and/or equipment furnished by the undersigned to or in connection with the Project. The undersigned further acknowledges and agrees that upon receipt of a check in the Final Payment Amount and payment of such check by the bank upon which it is drawn, the undersigned will release, discharge, relinquish and waive any and all claims, suits, liens, and rights under the statutes of the Commonwealth of Massachusetts with respect to the Owner, the Project and/or against the Owner on account of any labor, materials and/or equipment furnished in connection with the Project.

The undersigned individual represents and warrants that he/she is the duly authorized representative of the undersigned, empowered and authorized to execute and deliver this document on behalf of the undersigned and that this document shall be binding upon the undersigned.

This document is to take effect as a sealed instrument.

Signed under the penalties of perjury as of this ____ day of _____, _____.

CONTRACTOR:

Signature of Authorized Individual

Printed Name and Title of Above Individual

**SUBCONTRACTOR'S
RELEASE AND PARTIAL LIEN WAIVER**

I. Reference Data:

Owner:

Tenant:

Project:

Subcontractor:

Subcontract Work:

Subcontract Date:

Current Subcontract Financial Status Summary:

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- | | | |
|----|--|----------|
| 1. | Original Subcontract Amount | \$ _____ |
| 2. | Approved Change Order(s) | \$ _____ |
| 3. | Adjusted Total Subcontract Amount (Item No.1 plus 2) | \$ _____ |
| 4. | Total Amount of Subcontract Work Completed to Date (including Current Requisition and Retainage) | \$ _____ |
| 5. | Total Payments Received by Subcontractor through the Date of Release and Waiver (as defined below) | \$ _____ |
| 6. | Retainage Held on Account of Payments Received by Subcontractor (Item No. 5) | \$ _____ |
| 7. | Amount Currently Requisitioned, including Retainage (Item No. 4 less Items No. 5 and 6) | \$ _____ |
| 8. | Retainage to be Held on Account of Current Requisition | \$ _____ |
| 9. | Balance Currently Due (Item No. 7 less Item No. 8) | \$ _____ |

Outstanding Claims and Pending Change Orders, if any, must be set forth on **Schedule A**.

II. Release and Partial Lien Waiver

For the period ending on the last day of the month of _____, 200_ (the "Date of Release and Waiver") the undersigned Subcontractor hereby acknowledges receipt of payments on account of the Subcontract Work in the amount of the Total Payments Received by Subcontractor through the Date of Release and Waiver (Item No. 5, above). This amount represents payment in full through and including the Date of Release and Waiver.

The undersigned hereby swears and certifies that the Reference Data set forth above is true and correct and acknowledges that there are no additional costs or claims for any extras, additions or changes for labor or materials or otherwise on the Project, other than those listed on **Schedule A**. To the extent permitted by applicable law, the undersigned hereby waives and releases any and all claims, laborer's, mechanic's or materialmen's liens, and claims of right to a laborer's, mechanic's or materialmen's lien on or against the Project under the laws of Massachusetts, on account of labor or materials or both furnished by the undersigned to or on account of the Subcontract Work through the Date of this Release and Waiver, except for matters set forth on **Schedule A**.

The undersigned hereby swears and certifies that all persons, firms or other entities, regardless of tier, who have supplied work, labor, materials, services and other items to the undersigned in connection with the Project have been paid in full through the Date of Release and Waiver, except for amounts included in the Current Requisition (Item No. 7, above); and agrees

that the General Contractor, the Owner, any lender of the Owner, the Tenant or any other person or entity having an interest in the Project may rely on the accuracy of this instrument.

Duly authorized and executed under the pains and penalties of perjury as of this _____ day of _____, 200_.

SUBCONTRACTOR: _____

By: _____

Title: _____
Hereunto duly authorized

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SCHEDULE A

Outstanding Claims and Pending Change Orders

1. <u>Nature of Claim</u>	<u>or Requested Change</u>	Amount of Claim
2. <u>Pending Change Orders</u>		

Except for those matters listed above, the Subcontractor acknowledges by the submission of this Release and Partial Lien Waiver that, as of the Date of Release and Waiver, no such claims or pending change orders exist.

EXHIBIT O

EXISTING LEASES

That certain lease between DIV BEDFORD, LLC, as Landlord, and MULTIPLAN, INC., as Tenant, dated on or about February 23, 2015, for certain premises in the building known as 16 Crosby Drive.

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Certifications

I, Colin M. Angle, certify that:

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

Date: November 3, 2017

/s/ COLIN M. ANGLE

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

Certifications

I, Alison Dean, certify that:

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

Date: November 3, 2017

/s/ ALISON DEAN

Alison Dean
Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of iRobot Corporation (the "Company") for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Colin M. Angle, the Chief Executive Officer of the Company and Alison Dean, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

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

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

Date: November 3, 2017

/s/ COLIN M. ANGLE

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

Date: November 3, 2017

/s/ ALISON DEAN

Alison Dean
Chief Financial Officer