

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

iROBOT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

8731
*(Primary Standard Industrial
Classification Code Number)*

77-0259 335
*(I.R.S. Employer
Identification Number)*

**63 South Avenue
Burlington, Massachusetts 01803
(781) 345-0200**
*(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)*

**Colin M. Angle
Chief Executive Officer
iRobot Corporation
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. _____

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, \$0.01 par value per share	\$115,000,000	\$13,536

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price and includes the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), shall determine.

The information contained in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
 Issued _____, 2005

Shares
iRobot®
 COMMON STOCK

iRobot Corporation is offering _____ shares of its common stock, and the selling stockholders are offering _____ shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between \$ _____ and \$ _____ per share.

We have applied to list our common stock on the NASDAQ National Market under the symbol "IRBT."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 5.

PRICE \$ _____ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to iRobot Corporation	Proceeds to Selling Stockholders
Per Share	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____

Selling stockholders have granted the underwriters the right to purchase up to an additional _____ shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on _____, 2005.

MORGAN STANLEY
FIRST ALBANY CAPITAL

NEEDHAM & COMPANY, LLC

JPMORGAN

ADAMS HARKNESS

_____, 2005

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock.

Until _____, 2005 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

iRobot, Roomba, Scooba, PackBot and AWARE are trademarks of iRobot Corporation. Gator, M-Gator and R-Gator are trademarks of Deere & Company. This prospectus also includes other registered and unregistered trademarks of iRobot Corporation and other persons.

Unless the context otherwise requires, we use the terms "iRobot," the "Company," "we," "us" and "our" in this prospectus to refer to iRobot Corporation and its subsidiary.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under "Risk Factors" beginning on page 5, and the consolidated financial statements and notes to those consolidated financial statements, before making an investment decision.

iROBOT CORPORATION

Overview

iRobot is a leading global provider of robots that enable people to complete complex tasks in a better way. Founded in 1990 by roboticists who performed research at the Massachusetts Institute of Technology, we have developed proprietary technology incorporating advanced concepts in navigation, mobility, manipulation and artificial intelligence to build industry-leading robots. Our Roomba floor vacuuming robot and recently announced Scooba floor washing robot perform time-consuming domestic chores, and our PackBot tactical military robots perform battlefield reconnaissance and bomb disposal. In addition, we are developing the Small Unmanned Ground Vehicle reconnaissance robot for the U.S. Army's transformational Future Combat Systems program and, in conjunction with Deere & Company, the R-Gator unmanned ground vehicle. We sell our robots to consumers through a variety of distribution channels, including over 7,000 retail locations and our on-line store, and to the U.S. military and other government agencies worldwide.

As of July 2, 2005, we had 214 full-time employees, of whom over half are engineers specializing in the design of robots. We have developed expertise in all the disciplines necessary to build durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to develop next generation and new products, reducing the time, cost and risk of product development. Our significant expertise in robot design and engineering, combined with our management team's experience in military and consumer markets, positions us to capitalize on the expected growth in the market for robots.

Over the past three years, we sold more than 1.2 million of our Roomba floor vacuuming robots. We also sold to the U.S. military during that time more than 200 of our PackBot tactical military robots, most of which have been deployed on missions in Afghanistan and Iraq.

Market Opportunity

Over the past several decades, the desire to continue to improve productivity and quality of life has led to the development of robots. Historical attempts at producing robots have had limited success due to the inherent complexities in integrating multiple technologies to deliver truly functional robots at affordable prices. Behavior-based robots, which represent a new generation of robots, can effectively deal with dynamic and changing environments, and are particularly well suited for consumer, military and industrial tasks that are repetitive, physically demanding or dangerous. The need for robots has increased in parallel with the evolution of robot technology.

We believe that the demand for robots that can complete domestic chores is developing rapidly due to demographic trends, including the aging population, increasing prevalence of dual-income households, declining birth rates and ongoing reduction in people's "free" time. According to the 2004 United Nations Economic Commission for Europe in cooperation with the International Federation of Robotics, there will be approximately \$2.6 billion spent worldwide on household robots from 2004 through 2007.

The worldwide need for security and the transformation of the military are driving the market opportunity in the defense and government sector for automated and unmanned systems. The shift to less traditional warfare, a declining pool of available military personnel, increasing costs of military personnel, and political ramifications of personnel casualties are driving the military to develop alternatives to its human-capital resources. Warfare modernization directives incorporate the use of robots in accordance with the National Defense Authorization Act of 2001, which stated the goal that "by 2015, one-third of the operational ground combat vehicles of the Armed Forces are unmanned."

We believe that the sophisticated technologies in our existing consumer and military applications are adaptable to a broad array of markets such as law enforcement, homeland security, commercial cleaning, elderly care, oil services, home automation, landscaping, agriculture and construction.

Our Solution

Innovation is at the core of iRobot. Our innovation engine, comprised of our robot technology, roboticists and robot market experience, enables us to design and introduce new products rapidly in a wide range of markets. Our robots are designed to perform complex tasks in a better way.

Better Results. Our robots help perform dull, dirty or dangerous missions with better results. Our Roomba floor vacuuming robot cleans under beds and other furniture, resulting in significantly cleaner floors because it can access more of the floor than standard upright vacuum cleaners. Our PackBot tactical military robot is credited with saving the lives of U.S. service personnel in Afghanistan and Iraq by performing dangerous military missions that would otherwise have been performed by soldiers.

Easy-to-Use. Our robots encompass advanced technology and a user-friendly design that make them easy to set up, operate and maintain. Our Roomba robots work at the touch of a single button, appealing to consumers' intuition and requiring extremely limited set-up and learning time. Our PackBot robots, while entailing greater user interaction, require only a few hours of training for their users.

Cost-Effective. We believe our robots deliver high value for their cost. Our PackBot robots cost relatively little when compared to the value of saving the lives of armed forces personnel. Our Roomba robots reduce the time spent by customers to clean rooms quickly and effectively, and are priced competitively with traditional vacuum cleaners.

Safe and Durable. Safety and durability are key design objectives of all our products. For example, our PackBot robots have been developed with a patented, safe-firing circuit designed to prevent accidental discharge or detonation. Our Roomba robots have a triple-redundant system to prevent them from falling down stairs and undergo severe quality control tests that include compression and drop tests.

Our Strategy

Our objective is to rapidly invent, design, market and support innovative robots that will expand our leadership globally in our existing markets and newly addressable markets. Key elements of our strategy to achieve this objective include:

- *Deliver Great Products and Continue to Expand Our Existing Markets.* Our strategy is to deliver innovative products rapidly at economical price points and continue to extend our consumer and military product offerings.
- *Innovate to Penetrate New Markets.* Our culture of innovation and experience enables us to rapidly develop robots for use in a broad range of applications and to penetrate new market segments globally.
- *Complement Our Core Competencies With Strategic Alliances.* We rely on strategic alliances to provide complementary competencies and enhance our ability to enter and compete in new markets.
- *Leverage Our Research and Development Efforts Across Different Products and Markets.* By using our research and development across all our products and markets, our strategy is to develop cost-effective robots and rapidly bring them to market.
- *Develop an Ecosystem Around Our Platforms.* Our extendable product platforms with open interfaces enable us to foster an ecosystem of third-parties enabling us to expand our footprint while maintaining market leadership.
- *Continue to Strengthen Our Brand.* We will reinforce our message of innovation, reliability, safety and value through continued reinvestment in our brand.
- *Continue to Reinvest Aggressively in Our Business and Our People.* We will maximize long-term profitability by reinvesting aggressively in our business and our people over the next several years.

Our Corporate Information

We were incorporated in California in August 1990 under the name IS Robotics, Inc. and reincorporated as IS Robotics Corporation in Massachusetts in June 1994. We reincorporated in Delaware as iRobot Corporation in December 2000. Our corporate headquarters are located at 63 South Avenue, Burlington, Massachusetts 01803, and telephone number is (781) 345-0200. Our website address is www.irobot.com. The information on, or that can be accessed through, our website is not part of this prospectus.

THE OFFERING

Common stock offered by iRobot	shares
Common stock offered by the selling stockholders	<u>shares</u>
Total	<u>shares</u>
Over-allotment option offered by selling stockholders	shares
Common stock to be outstanding after this offering	shares

Use of proceeds We intend to use the net proceeds to us from this offering for working capital and other general corporate purposes including to finance our growth, develop new products and fund capital expenditures. We will not receive any proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds" for more information.

Risk factors You should read the "Risk Factors" section of this prospectus for a discussion of factors that you should consider carefully before deciding to invest in shares of our common stock.

Proposed NASDAQ National Market symbol "IRBT"

The number of shares of our common stock to be outstanding following this offering is based on 19,894,820 shares of our common stock outstanding as of July 2, 2005, and excludes:

- 2,954,233 shares of common stock issuable upon exercise of options outstanding as of July 2, 2005 at a weighted average exercise price of \$2.39 per share;
- 613,623 shares of common stock reserved as of July 2, 2005 for future issuance under our stock-based compensation plans; and
- 18,000 shares of common stock issuable upon the exercise of a warrant, with an approximate exercise price of \$3.74 per share.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- the automatic conversion of all outstanding shares of our preferred stock into 9,557,246 shares of common stock, upon the closing of the offering;
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated by-laws immediately prior to the effectiveness of this offering; and
- no exercise by the underwriters of their over-allotment option.

SUMMARY CONSOLIDATED FINANCIAL DATA

The tables below summarize our consolidated financial information for the periods indicated. You should read the following information together with the more detailed information contained in "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes.

	Year Ended December 31,			Six Months Ended	
	2002	2003	2004	June 30, 2004	July 2, 2005
(in thousands, except per share data) (unaudited)					
Consolidated Statement of Operations:					
Revenue					
Product revenue(1)	\$ 6,955	\$ 45,896	\$ 82,147	\$ 23,087	\$ 34,723
Contract revenue	7,223	7,661	12,365	5,039	8,233
Royalty revenue	639	759	531	483	62
Total revenue	14,817	54,316	95,043	28,609	43,018
Cost of Revenue					
Cost of product revenue	4,896	31,194	59,321	16,471	26,750
Cost of contract revenue	11,861	6,143	8,371	3,345	5,770
Total cost of revenue	16,757	37,337	67,692	19,816	32,520
Gross Profit (Loss)(1)	(1,940)	16,979	27,351	8,793	10,498
Operating Expenses					
Research and development	1,736	3,848	5,504	2,563	5,713
Selling, general and administrative	7,128	20,521	21,404	9,188	12,061
Stock-based compensation	—	—	—	—	90
Total operating expenses	8,864	24,369	26,908	11,751	17,864
Operating Income (Loss)	(10,804)	(7,390)	443	(2,958)	(7,366)
Net Income (Loss)	(10,774)	(7,411)	219	(3,000)	(7,157)
Net Income (Loss) Per Share					
Basic	\$ (2.00)	\$ (0.79)	\$ 0.01	\$ (0.31)	\$ (0.72)
Diluted	\$ (2.00)	\$ (0.79)	\$ 0.01	\$ (0.31)	\$ (0.72)
Number of Shares Used in Per Share Calculations					
Basic	5,391	9,352	9,660	9,530	10,008
Diluted	5,391	9,352	19,183	9,530	10,008
Pro Forma Net Income (Loss) Data(2):					
Pro Forma Net Income (Loss) Per Share					
Basic			\$ 0.01		\$ (0.37)
Diluted			\$ 0.01		\$ (0.37)
Number of Shares Used in Pro Forma Per Share Calculations					
Basic			18,002		19,565
Diluted			19,183		19,565

- (1) Beginning in the first quarter of 2004, we converted from recognizing revenue from U.S. consumer product sales on a "sell-through" basis (when retail stores sold our robots) to a "sell-in" basis (when our robots are shipped to retail stores). As a result of this conversion, our revenue and gross profit in the first quarter of 2004 included \$5.7 million and \$2.5 million, respectively, from robots shipped prior to 2004.
- (2) We have computed the pro forma net income (loss) per share and the pro forma weighted-average shares outstanding included in the statement of operations data as we describe in Note 2 of the notes to our consolidated financial statements.

The as adjusted balance sheet data in the table below reflects the conversion of our convertible preferred stock and our receipt of estimated net proceeds from our sale of shares of common stock that we are offering at an assumed public offering price of \$ per share, after deducting estimated discounts and commissions and estimated offering expenses payable by us.

	July 2, 2005	
	Actual	As Adjusted
(in thousands)		
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 15,090	\$
Total assets	40,336	
Total liabilities	33,672	
Total redeemable convertible preferred stock	37,506	
Total stockholders' equity (deficit)	(30,843)	

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in our common stock. If any of the following risks actually materializes, our business, financial condition and results of operations would suffer. The trading price of our common stock could decline as a result of any of these risks, and you might lose all or part of your investment in our common stock. You should read the section entitled "Forward-Looking Statements" immediately following these risk factors for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this prospectus.

Risks Related to Our Business

Our future profitability is uncertain, and we have a limited operating history on which you can base your evaluation of our business.

We have incurred significant losses since inception, including net losses of \$10.8 million, \$7.4 million and \$7.2 million, respectively, in the years ended December 31, 2002 and 2003 and the six months ended July 2, 2005. As a result of ongoing operating losses, we had an accumulated deficit of \$34.0 million at July 2, 2005. Because we operate in a rapidly evolving industry, we have difficulty predicting our future operating results, and we cannot be certain that our revenue will grow at rates that will allow us to maintain profitability on a quarterly or annual basis. In addition, we only have a limited operating history on which you can base your evaluation of our business. If we fail to maintain profitability, the market price of our common stock will likely fall.

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

Robots represent a new and emerging market. Accordingly, our business and future prospects are difficult to evaluate. You should consider the challenges, risks and uncertainties frequently encountered by companies using new and unproven business models in rapidly evolving markets. These challenges include our ability to:

- generate sufficient revenue to maintain profitability;
- acquire and maintain market share;
- manage growth in our operations;
- attract and retain customers;
- attract and retain key personnel;
- develop and renew government contracts and other strategic relationships;
- adapt to a new or changing regulatory environment; and
- access additional capital when required and on reasonable terms.

We cannot be certain that we will successfully address these and other challenges, risks and uncertainties. Failure to do so could adversely affect our business, results of operations and financial condition.

Our financial results often vary significantly from quarter-to-quarter and may be negatively affected by a number of factors.

Our quarterly revenue and other operating results have varied in the past and are likely to continue to vary significantly from quarter-to-quarter. Revenue for any particular quarter, and revenue from sales of our consumer products, are difficult to predict. This variability may lead to volatility in our stock price as equity

research analysts and investors respond to these quarterly fluctuations. These fluctuations will be due to numerous factors including:

- seasonality in the sales of our consumer products;
- the size and timing of orders from military and other government agencies;
- the mix of products that we sell in the period;
- disruption of supply of our products from our manufacturers;
- the inability to attract and retain qualified, revenue-generating personnel;
- unanticipated costs incurred in the introduction of new products;
- costs of labor and raw materials;
- our ability to introduce new products and enhancements to our existing products on a timely basis;
- price reductions;
- the amount of government funding and the political, budgetary and purchasing constraints of our government agency customers; and
- cancellations, delays or contract amendments by government agency customers.

Because of quarterly fluctuations, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful. Moreover, our operating results may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our common stock could fall substantially either suddenly or over time.

A majority of our business currently depends on our consumer robots, and our business will suffer if we are unable to enhance our current consumer robots or develop new consumer robots at competitive prices or in a timely manner.

For the year ended December 31, 2004, we derived 73.8% of our revenue from our Roomba floor vacuuming robots. For the foreseeable future, we expect that a majority of our revenue will continue to be derived from sales of consumer home floor care products. Accordingly, our future success depends upon our ability to further penetrate the consumer home floor care market, to enhance our current consumer products and develop and introduce new consumer products offering enhanced performance and functionality at competitive prices. The development and application of new technologies involve time, substantial costs and risks. For example, we have devoted significant time and incurred significant expenses in connection with developing our Scooba robot, which is designed to sweep, wash, scrub and dry hard floors, and we plan to commence selling our Scooba robot in late 2005. Our results in the fourth quarter of 2005 and in 2006 will depend in part on the success of this new product line, and there can be no assurance that we will not incur delays in the introduction of our Scooba floor washing robot or that it will attain market acceptance. Our inability, for technological or other reasons, to introduce or achieve significant sales of our Scooba robot, or to enhance, develop and introduce other products in a timely manner, or at all, would have a material adverse effect on our operating results.

We depend on the U.S. federal government for a significant portion of our revenue.

For the year ended December 31, 2004 and for the six months ended July 2, 2005, we derived 20.1% and 47.6%, respectively, of our revenue, directly or indirectly, from the U.S. federal government and its agencies. Any reduction in the amount of revenue that we derive from the U.S. federal government without an offsetting increase in new sales to other customers would have a material adverse effect on our operating results.

Our participation in specific major U.S. federal government programs is critical to both the development and sale of our military robots. For example, in the year ended December 31, 2004, 35.9% of our contract revenue was derived from our participation in the U.S. Army's Future Combat Systems program. Future sales

of our PackBot robots will depend largely on our ability to secure contracts with the U.S. Army under its robot programs. We expect that there will continue to be only a limited number of major programs under which U.S. federal government agencies will seek to fund the development of, or purchase, robots. Our business will, therefore, suffer if we are not awarded, either directly or indirectly through third-party contractors, government contracts for robots that we are qualified to develop or build. In addition, if the U.S. federal government or government agencies terminate or reduce the related prime contract under which we serve as a subcontractor, our business and financial results would be adversely affected. Moreover, it is difficult to predict the timing of the award of government contracts and our revenue could fluctuate significantly based on the timing of any such awards.

Even if we continue to receive funding for research and development under these contracts, there can be no assurance that we will successfully complete the development of robots pursuant to these contracts or that, if successfully developed, the U.S. federal government or any other customer will purchase these robots from us. The U.S. federal government has the right when it contracts to use the technology developed by us to have robots supplied by third parties. Any failure by us to complete the development of these robots, or to achieve successful sales of these robots, would adversely affect our business.

Our contracts with the U.S. federal government are subject to certain risks that could materially harm our business.

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

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

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

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

otherwise ceased doing business with us or decreased the amount of business with us, our business and operating results could be materially harmed.

Government contracts are frequently awarded only after formal competitive bidding processes, which are protracted. In many cases, unsuccessful bidders for government agency contracts are provided the opportunity to protest certain contract awards through various agency, administrative and judicial channels. If any of the government contracts awarded to us are protested, we may be required to expend substantial time, effort and financial resources without realizing any revenue with respect to the potential contract. The protest process may substantially delay our contract performance, distract management and result in cancellation of the contract award entirely. In addition several of our prime contracts with the U.S. federal government do not contain a limitation of liability provision, creating a risk of responsibility for direct and consequential damages. Several subcontracts with prime contractors hold the prime contractor harmless against liability that stems from our work and do not contain a limitation of liability. These provisions could cause substantial liability for us, especially given the use to which our products may be put.

We depend on single source manufacturers, and our business would be harmed if these manufacturers fail to meet our requirements.

We currently depend on one contract manufacturer, Jetta Company Limited, to manufacture our consumer products at a single plant in China and rely on one contract manufacturer, Gem City Engineering Corporation, to manufacture our military products at a single plant in the United States. These manufacturers supply substantially all of the raw materials and provide all facilities and labor required to manufacture our products. If these companies were to terminate their arrangements with us or fail to provide the required capacity and quality on a timely basis, we would be unable to manufacture our products until replacement contract manufacturing services could be obtained. To qualify a new contract manufacturer, familiarize it with our products, quality standards and other requirements, and commence volume production is a costly and time-consuming process. We cannot assure you that we would be able to establish alternative manufacturing relationships on acceptable terms.

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

- lack of direct control over production capacity and delivery schedules;
- lack of direct control over quality assurance, manufacturing yields and production costs;
- risk of loss of inventory while in transit from China; and
- risks associated with international commerce with China, including unexpected changes in legal and regulatory requirements, changes in tariffs and trade policies, risks associated with the protection of intellectual property and political and economic instability.

Any interruption in the manufacture of our products would be likely to result in delays in shipment, lost sales and revenue and damage to our reputation in the market, all of which would adversely affect our business and results of operations. In addition, while our contract obligations with our contract manufacturer in China are typically denominated in U.S. dollars, changes in currency exchange rates could impact our suppliers and increase our prices. In particular, the Chinese government recently announced that the Chinese yuan has moved to a managed floating exchange rate regime, which could lead to our suppliers in China negotiating increased pricing terms with us.

Any efforts to expand our product offerings beyond our current markets may not succeed.

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

If we are unable to implement appropriate controls and procedures to manage our growth, we may not be able to successfully implement our business plan.

Our headcount and operations are growing rapidly. This rapid growth has placed, and will continue to place, a significant strain on our management, administrative, operational and financial infrastructure. From December 31, 2004 to July 2, 2005, the number of our employees increased from 148 to approximately 214. We anticipate further growth will be required to address increases in our product offerings and the geographic scope of our customer base. Our success will depend in part upon the ability of our senior management to manage this growth effectively. To do so, we must continue to hire, train, manage and integrate a significant number of qualified managers and engineers. If our new employees perform poorly, or if we are unsuccessful in hiring, training, managing and integrating these new employees, or retaining these or our existing employees, our business may suffer.

In addition, to manage the expected continued growth of our headcount and operations, we will need to continue to improve our information technology infrastructure, operational, financial and management controls and reporting systems and procedures, and manage expanded operations in geographically distributed locations. Our expected additional headcount and capital investments will increase our costs, which will make it more difficult for us to offset any future revenue shortfalls by offsetting expense reductions in the short term. If we fail to successfully manage our growth we will be unable to successfully execute our business plan, which could have a material adverse effect on our business, financial condition or results of operations.

If the consumer robot market does not experience significant growth or if our products do not achieve broad acceptance, we will not be able to achieve our anticipated level of growth.

We derive a substantial portion of our revenue from sales of our consumer robots. We cannot accurately predict the future growth rate or the size of the consumer robot market. Demand for consumer robots may not increase, or may decrease, either generally or in specific geographic markets, for particular types of robots or during particular time periods. The expansion of the consumer robot market and the market for our products depends on a number of factors, such as:

- the cost, performance and reliability of our products and products offered by our competitors;
- public perceptions regarding the effectiveness and value of robots;
- customer satisfaction with robots; and
- marketing efforts and publicity regarding robots.

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

Our business and results of operations could be adversely affected by significant changes in the policies and spending priorities of governments and government agencies.

We derive a substantial portion of our revenue from sales to and contracts with U.S. federal, state and local governments and government agencies, and subcontracts under federal government prime contracts. We believe that the success and growth of our business will continue to depend on our successful procurement of government contracts either directly or through prime contractors. Many of our government customers are subject to stringent budgetary constraints and our continued performance under these contracts, or award of additional contracts from these agencies, could be adversely affected by spending reductions or budget cutbacks at these agencies. We cannot assure you that future levels of expenditures and authorizations will continue for governmental programs in which we provide products and services. A significant decline in government expenditures generally, or with respect to programs for which we provide products, could adversely affect our business, prospects, financial condition or operating results. Our operating results may also

be adversely impacted by other developments that affect these governments and government agencies generally, including:

- changes in government programs that are related to our products and services;
- adoption of new laws or regulations relating to government contracting or changes to existing laws or regulations;
- changes in political or social attitudes with respect to security and defense issues;
- delays or changes in the government appropriations process;
- uncertainties associated with the war on terror and other geo-political matters; and
- delays in the payment of our invoices by government payment offices.

These developments and other factors could cause governments and governmental agencies, or prime contractors that use us as a subcontractor, to reduce their purchases under existing contracts, to exercise their rights to terminate contracts at-will or to abstain from renewing contracts, any of which could have an adverse effect on our business, financial condition and results of operations.

We face intense competition from other providers of robots, including diversified technology providers, as well as competition from providers offering alternative products.

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

- developers of robotic floor care products such as AB Electrolux, Alfred Kärcher GmbH & Co., Samsung Electronics Co., Ltd., Koolatron Corp. and Yujin Robotic Co. Ltd.;
- developers of small unmanned ground vehicles such as Foster-Miller, Inc.— a wholly owned subsidiary of QinetiQ North America, Inc., Allen-Vanguard Corporation, and Remotec— a division of Northrop Grumman Corporation; and
- established government contractors working on unmanned systems such as Lockheed Martin Corporation, BAE Systems, Inc. and General Dynamics Corporation.

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

The market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of product development and customer support. We cannot assure you that our products will continue to compete favorably or that we will be successful in the face of increasing competition from new products and enhancements introduced by existing competitors or new companies entering the markets in which we provide products. Our failure to compete successfully could cause our revenue and market share to decline, which would adversely affect our results of operations and financial condition.

Our business is significantly seasonal and, because many of our expenses are based on anticipated levels of annual revenue, our business and operating results will suffer if we do not achieve revenue consistent with our expectations.

Our consumer product revenue is significantly seasonal and most of our product revenue has historically been, and is expected to continue to be, generated in the second half of the year. As a result of this seasonality, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance.

We base our current and future expense levels on our internal operating plans and sales forecasts, including forecasts of holiday sales for our consumer products. Most of our operating expenses, such as research and development expenses, advertising and promotional expenses and employee wages and salaries, do not vary directly with sales and are difficult to adjust in the short term. As a result, if sales for a quarter, particularly the final quarter of a fiscal year, are below our expectations, we might not be able to reduce operating expenses for that quarter and would not be able to reduce our operating expenses for earlier periods during the fiscal year. Accordingly, a sales shortfall during a fiscal quarter, and in particular the fourth quarter of a fiscal year, could have a disproportionate effect on our operating results for that quarter or that year. As a result of these factors, we may report operating results that do not meet the expectations of equity research analysts and investors. This could cause the trading price of our common stock to decline.

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

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

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

Our robots rely on the interplay among behavior-based artificially intelligent systems, real-world dynamic sensors, friendly user interfaces and tightly-integrated, electromechanical designs to accomplish their missions. Despite testing, our new or existing products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by our customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to our reputation, any of which could materially harm our results of operations and ability to achieve market acceptance. In addition, increased development and warranty costs could be substantial and could adversely affect our operating margins. For instance, we are engaged in a dispute relating to a contract, entered into in 2001, with a UK government agency that is claiming it is entitled to a refund of all payments made by it for the design and

development of a robot for ordnance disposal. Moreover, because military robots are used in dangerous situations, the failure or malfunction of any of these robots, including our own, could significantly damage our reputation and support for robot solutions in general. The existence of any defects, errors, or failures in our products could also lead to product liability claims or lawsuits against us. A successful product liability claim could result in substantial cost, diminish our brand and divert management's attention and resources, which could have a negative impact on our business, financial condition and results of operations.

The robot industry is and will likely continue to be characterized by rapid technological change, which will require us to develop new products and product enhancements, and could render our existing products obsolete.

Continuing technological changes in the robot industry and in the markets in which we sell our robots could undermine our competitive position or make our robots obsolete, either generally or for particular types of services. Our future success will depend upon our ability to develop and introduce a variety of new capabilities and enhancements to our existing product offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which we offer our robots. Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to forego purchases of our products and purchase our competitors' products. Moreover, the development of new products has required, and will require, that we expend significant financial and management resources. We have incurred, and expect to continue to incur, significant research and development expenses in connection with our efforts to expand our product offerings. If we are unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products or enhancements that meet customer requirements on a timely basis, our products could lose market share, our revenue and profits could decline, or we could experience operating losses. Moreover, if we are unable to offset our product development costs through sales of existing or new products or product enhancements, our operating results would be negatively impacted.

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

To execute our growth plan, we must attract and retain additional highly-qualified personnel. Competition for hiring these employees is intense, especially with regard to engineers with high levels of experience in designing, developing and integrating robots. Many of the companies with which we compete for hiring experienced employees have greater resources than we have. In addition, in making employment decisions, particularly in the high-technology industries, job candidates often consider the value of the equity they are to receive in connection with their employment. Therefore, significant volatility in the price of our stock after this offering may adversely affect our ability to attract or retain technical personnel. Furthermore, changes to accounting principles generally accepted in the United States relating to the expensing of stock options may discourage us from granting the sizes or types of stock options that job candidates may require to accept our offer of employment. If we fail to attract new technical personnel or fail to retain and motivate our current employees, our business and future growth prospects could be severely harmed.

We may be sued by third parties for alleged infringement of their proprietary rights.

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

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

We may be unable to maintain or increase our consumer robot sales through our primary distribution channels, which include third-party retailers.

Chain stores are the primary distribution channels for our consumer robots and accounted for approximately 55.3% and 30.8%, respectively, of our revenue for the year ended December 31, 2004 and the six months ended July 2, 2005. We do not have long-term contracts regarding purchase volumes with any of our distributors. As a result, purchases generally occur on an order-by-order basis, and the relationships, as well as particular orders, can generally be terminated or otherwise materially changed at any time by our distributors. A decision by a major retail distributor, whether motivated by competitive considerations, financial difficulties, economic conditions or otherwise, to decrease its purchases from us, to reduce the shelf space for our products or to change its manner of doing business with us could significantly and adversely affect our business, financial condition and results of operations. In addition, during recent years, various retailers, including some of our distributors, have experienced significant changes and difficulties, including consolidation of ownership, increased centralization of purchasing decisions, restructurings, bankruptcies and liquidations. These and other financial problems of some of our retailers increase the risk of extending credit to these retailers. A significant adverse change in a retail distributor relationship with us or in a retail distributor's financial position could cause us to limit or discontinue business with that distributor, require us to assume more credit risk relating to that distributor's receivables or limit our ability to collect amounts related to previous purchases by that distributor, all of which could harm our business and financial condition. Disruption of the iRobot on-line store could also adversely affect our consumer robot sales.

If we fail to enhance our brand, our business may suffer.

We believe that developing and maintaining awareness of the iRobot brand is critical to achieving widespread acceptance of our existing and future products and is an important element in attracting new customers. Furthermore, we expect the importance of global brand recognition to increase as competition develops. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts, including our mass media outreach, in-store training and presentations and public relations, and our ability to provide customers with reliable and technically sophisticated robots at competitive prices. If customers do not perceive our products to be of high quality, our brand and reputation could be harmed, which could adversely impact our financial results. In addition, brand promotion efforts may not yield significant revenue or increased revenue sufficient to offset the additional expenses incurred in building our brand. If we incur substantial expenses to promote and maintain our brand, we may fail to attract sufficient customers to realize a return on our brand-building efforts, and our business would suffer.

Our reliance on third-party collaborators exposes us to risks in developing and commercializing additional products.

If we cannot maintain our existing collaborations or establish new collaborations, we may not be able to develop additional products. We anticipate that some of our future products will be developed and commercialized in collaboration with companies that have expertise outside the robot field. For example, we are currently collaborating with Deere & Company on the development of the R-Gator unmanned ground vehicle, and The Clorox Company on the cleaning solution to be used in our Scooba floor washing robot. Under these collaborations, we may be dependent on our collaborators to fund some portion of development of the product or to manufacture and market either the primary product that is developed pursuant to the collaboration or complementary products required in order to operate our products. In addition, we cannot assure you that we will be able to establish additional collaborative relationships on acceptable terms.

Our existing collaborations and any future collaborations with third parties may not be scientifically or commercially successful. Factors that may affect the success of our collaborations include the following:

- our collaborators may not devote the resources necessary or may otherwise be unable to complete development and commercialization of these potential products;
- our existing collaborations and future collaborations may be subject to termination on short notice;
- our collaborators may be pursuing alternative technologies or developing alternative products, either on their own or in collaboration with others, that may be competitive with our products, which could affect our collaborators' commitment to the collaboration with us;
- reductions in marketing or sales efforts or a discontinuation of marketing or sales of our products by our collaborators could reduce our revenue;
- our collaborators may terminate their collaborations with us, which could make it difficult for us to attract new collaborators or adversely affect our perception in the business and financial communities; and
- our collaborators may pursue higher priority programs or change the focus of their development programs, which could affect our collaborators' commitment to us.

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

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

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

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

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

Also, we need special clearances to continue working on and advancing certain of our projects with the U.S. federal government. For example, if we were to lose our security clearance, we would be unable to continue to participate in the U.S. Army's Future Combat Systems program. Classified programs generally will require that we comply with various Executive Orders, federal laws and regulations and customer security requirements that may include restrictions on how we develop, store, protect and share information, and may require our employees to obtain government clearances.

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

We may be unable to protect, and we may incur significant costs in defending, our intellectual property and other proprietary rights.

Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Significant technology used in our products, however, is not the subject of any patent protection, and we may be unable to obtain patent protection on such technology in the future. Moreover, existing U.S. legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide us with any competitive advantages, and may be challenged by third parties. In addition, the laws of countries other than the United States in which we market our products may afford little or no effective protection of our intellectual property. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property or otherwise gaining access to our technology. Unauthorized third parties may try to copy or reverse engineer our products or portions of our products or otherwise obtain and use our intellectual property. If we fail to protect our intellectual property and other proprietary rights, our business, results of operations or financial condition could be materially harmed.

In addition, defending our intellectual property rights may entail significant expense. We may be required to expend significant resources to monitor and protect our intellectual property rights. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could result in significant expense to us and divert the attention and efforts of our management and technical employees, even if we were to prevail.

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

As part of our business strategy, we intend to consider acquisitions of companies, technologies and products that we believe could accelerate our ability to compete in our core markets or allow us to enter new markets. Acquisitions involve numerous risks, any of which could harm our business, including:

- difficulties in integrating the operations, technologies, products, existing contracts, accounting and personnel of the target company and realizing the anticipated synergies of the combined businesses;
- difficulties in supporting and transitioning customers, if any, of the target company;
- diversion of financial and management resources from existing operations;
- the price we pay or other resources that we devote may exceed the value we realize, or the value we could have realized if we had allocated the purchase price or other resources to another opportunity;
- risks of entering new markets in which we have limited or no experience;

- potential loss of key employees, customers and strategic alliances from either our current business or the target company's business;
- assumption of unanticipated problems or latent liabilities, such as problems with the quality of the target company's products; and
- inability to generate sufficient revenue to offset acquisition costs.

Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairments in the future that could harm our financial results. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing stockholders may be diluted, which could affect the market price of our common stock. As a result, if we fail to properly evaluate acquisitions or investments, we may not achieve the anticipated benefits of any such acquisitions, and we may incur costs in excess of what we anticipate. The failure to successfully evaluate and execute acquisitions or investments or otherwise adequately address these risks could materially harm our business and financial results.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

We have never operated as a public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission and the NASDAQ National Market, have imposed various new requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, commencing in 2006, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance related issues. We currently do not have an internal audit group, and we will evaluate the need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the NASDAQ National Market, the Securities and Exchange Commission or other regulatory authorities, which would require additional financial and management resources.

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

We anticipate that the net proceeds of this offering, together with current cash and cash equivalents, will be sufficient to meet our current needs for general corporate purposes. We, however, may need additional financing to execute on our current or future business strategies, including to:

- hire additional personnel;
- develop new or enhance existing products;

- enhance our operating infrastructure;
- acquire businesses or technologies; or
- otherwise respond to competitive pressures.

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders, including those acquiring shares in this offering. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our products, or otherwise respond to competitive pressures would be significantly limited.

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

The manufacture and sale of our products in certain states and countries may subject us to environmental and other regulations. We also face increasing complexity in our product design as we adjust to new and upcoming requirements relating to our products, including the restrictions on lead and certain other substances in electronics that will apply to specified electronics products put on the market in the European Union as of July 1, 2006 (Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive). Similar laws and regulations have been or may be enacted in other regions, including in the United States, Canada, Mexico, China and Japan. There is no assurance that such existing laws or future laws will not have a material adverse effect on our future earnings or results of operation.

International uncertainties and fluctuations in the value of foreign currencies could negatively impact our profitability.

We derive, and expect to continue to derive, a portion of our revenue from operations outside of the United States. Our international revenue and operations are subject to a number of material risks, including, but not limited to:

- difficulties in staffing, managing and supporting operations in multiple countries;
- difficulties in enforcing agreements and collecting receivables through foreign legal systems and other relevant legal issues;
- fewer legal protections for intellectual property;
- foreign and U.S. taxation issues and international trade barriers;
- difficulties in obtaining any necessary governmental authorizations for the export of our products to certain foreign jurisdictions;
- potential fluctuations in foreign economies;
- government currency control and restrictions on repatriation of earnings;
- fluctuations in the value of foreign currencies and interest rates;
- general economic and political conditions in the markets in which we operate;
- domestic and international economic or political changes, hostilities and other disruptions in regions where we currently operate or may operate in the future; and
- different and changing legal and regulatory requirements in the jurisdictions in which we currently operate or may operate in the future.

Negative developments in any of these areas in one or more countries could result in a reduction in demand for our products, the cancellation or delay of orders already placed, threats to our intellectual property, difficulty in collecting receivables, and a higher cost of doing business, any of which could adversely affect our business,

financial condition or results of operations. Moreover, our sales, including sales to customers outside the United States, are primarily denominated in U.S. dollars, and downward fluctuations in the value of foreign currencies relative to the U.S. dollar may make our products more expensive than other products, which could harm our business.

If we are unable to obtain U.S. federal government authorization regarding the export of our products, or if current or future export laws limit or otherwise restrict our business, we could be prohibited from shipping our products to certain countries.

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

Risks Related to This Offering and Ownership of Our Common Stock

An active trading market for our common stock may not develop, and you may not be able to sell your common stock at or above the initial public offering price.

Prior to this offering, there has been no public market for our common stock. Although we have applied to have our common stock quoted on the NASDAQ National Market, an active trading market for shares of our common stock may never develop or be sustained following this offering. If no trading market develops, securities analysts may not initiate or maintain research coverage of our company, which could further depress the market for our common stock. As a result, investors may not be able to sell their common stock at or above the initial public offering price or at the time that they would like to sell.

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

The market price of our common stock may be volatile, which could result in substantial losses for investors purchasing shares in this offering.

The initial public offering price for our common stock will be determined through negotiations with the underwriters. This initial public offering price may vary from the market price of our common stock after the offering. Some of the factors that may cause the market price of our common stock to fluctuate include:

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in estimates of our financial results or recommendations by securities analysts;
- failure of any of our products to achieve or maintain market acceptance;
- changes in market valuations of similar companies;

- success of competitive products;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- announcements by us or our competitors of significant products, contracts, acquisitions or strategic alliances;
- regulatory developments in the United States, foreign countries or both;
- litigation involving our company, our general industry or both;
- additions or departures of key personnel;
- investors' general perception of us; and
- changes in general economic, industry and market conditions.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

A significant portion of our total outstanding shares may be sold into the public market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time after the expiration of the lock-up agreements described in "Underwriters." These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have _____ shares of common stock outstanding based on the number of shares outstanding as of July 2, 2005. This includes the _____ shares that we and the selling stockholders are selling in this offering, which may be resold in the public market immediately. The remaining _____ shares, or _____ % of our outstanding shares after this offering, are currently restricted as a result of securities laws or lock-up agreements but will be able to be sold, subject to any applicable volume limitations under federal securities laws, in the near future as set forth below.

Number of Shares and % of Total Outstanding	Date Available for Sale Into Public Market
shares, or %	On the date of this prospectus
shares, or %	90 days after the date of this prospectus
shares, or %	180 days after the date of this prospectus, subject to extension in specified instances, due to lock-up agreements between the holders of these shares and the underwriters. However, Morgan Stanley & Co. Incorporated and J.P. Morgan Securities Inc. can waive the provisions of these lock-up agreements and allow these stockholders to sell their shares at any time
shares, or %	180 days after the date of this prospectus, subject to extension in specified instances, due to a lock-up agreement between the holders of these shares and us. However, with the underwriters' consent, we can waive the provisions of these lock-up agreements and allow these stockholders to sell their shares at any time
shares, or %	Between 181 and 365 days after the date of this prospectus, depending on the requirements of the federal securities laws

In addition, as of July 2, 2005, there were 18,000 shares subject to an outstanding warrant, 2,954,233 shares subject to outstanding options and an additional 613,623 shares reserved for future issuance

under our stock option and stock purchase plans that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements, the lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended. Moreover, after this offering, holders of an aggregate of 16,056,675 shares of our common stock as of July 2, 2005, will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register all shares of common stock that we may issue under our employee benefit plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements.

You will incur immediate and substantial dilution as a result of this offering.

If you purchase common stock in this offering, you will pay more for your shares than the amounts paid by existing stockholders for their shares. As a result, you will incur immediate and substantial dilution of \$ per share, representing the difference between the initial public offering price of \$ per share and our pro forma net tangible book value per share after giving effect to this offering and the conversion of all our shares of outstanding preferred stock in connection with this offering. Moreover, we issued options in the past to acquire common stock at prices significantly below the initial public offering price. As of July 2, 2005, there were 18,000 shares subject to an outstanding warrant with an approximate exercise price of \$3.74 per share and 2,954,233 shares subject to outstanding options with a weighted average exercise price of \$2.39 per share. To the extent that this warrant or these outstanding options are ultimately exercised, you will incur further dilution.

Our directors and management will exercise significant control over our company.

After this offering, our directors and executive officers and their affiliates will collectively control approximately % of our outstanding common stock. As a result, these stockholders, if they act together, will be able to influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of our common stock.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

We cannot specify with certainty the particular uses of the net proceeds we will receive from this offering. Our management will have broad discretion in the application of the net proceeds, including for any of the purposes described in "Use of Proceeds." Accordingly, you will have to rely upon the judgment of our management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. Our management may spend a portion or all of the net proceeds from this offering in ways that our stockholders may not desire or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

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

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

- limitations on the removal of directors;
- a classified board of directors so that not all members of our board are elected at one time;

- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used to institute a rights plan, or a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors.

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

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

The existence of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

We do not currently intend to pay dividends on our common stock.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar words. These statements are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. We discuss many of the risks in greater detail under the heading “Risk Factors.” Also, these forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. Except as required by law, we assume no obligation to update any forward-looking statements after the date of this prospectus.

This prospectus also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other industry data. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the statistical and other industry data generated by independent parties and contained in this prospectus and, accordingly, we cannot guarantee their accuracy or completeness. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

We estimate that the net proceeds to us of the sale of the common stock that we are offering will be approximately \$ _____ million, assuming an initial public offering price of \$ _____ per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses that we must pay. We will not receive any of the proceeds of the sale of shares of common stock by the selling stockholders.

We intend to use the net proceeds to us from this offering for working capital and other general corporate purposes, including to finance our growth, develop new products and fund capital expenditures. We may use a portion of the net proceeds to us to expand our current business through strategic alliances with, or acquisitions of, other businesses, products or technologies. We currently have no agreements or commitments for any specific acquisitions at this time.

Pending any use, as described above, we plan to invest the net proceeds in investment-grade, short-term, interest-bearing securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock and do not expect to pay any cash dividends for the foreseeable future. We intend to use future earnings, if any, in the operation and expansion of our business. In addition, the terms of our credit facility restrict our ability to pay dividends, and any future indebtedness that we may incur could preclude us from paying dividends.

CAPITALIZATION

The following table sets forth our capitalization as of July 2, 2005, as follows:

- on an actual basis; and
- on an as adjusted basis to give effect to the conversion of our convertible preferred stock and to reflect the sale of _____ shares of common stock that we are offering at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the range listed on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read the following table in conjunction with our consolidated financial statements and related notes and the sections entitled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this prospectus.

	As of July 2, 2005	
	Actual	As Adjusted
	(unaudited) (in thousands)	
Preferred stock, \$.01 par value, 9,557 shares authorized and issued, actual; 5,000 shares authorized, no shares issued, as adjusted:	\$ 37,506	—
Stockholders’ equity (deficit):		
Common stock, \$.01 par value: 35,000 shares authorized; 10,338 shares issued, actual; 100,000 shares authorized, shares issued, as adjusted	103	
Additional paid-in capital	4,578	
Deferred stock-based compensation	(1,480)	
Accumulated deficit	(34,044)	
Total stockholders’ equity (deficit)	(30,843)	
Total capitalization	\$ 6,663	

DILUTION

Our net tangible book value as of July 2, 2005 was \$ _____, or \$ _____ per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of common stock outstanding as of July 2, 2005 after giving effect to the assumed conversion of all of our convertible preferred stock.

After giving effect to the sale by us of _____ shares of common stock in this offering at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our adjusted net tangible book value as of July 2, 2005 would have been approximately \$ _____ million, or approximately \$ _____ per share. This amount represents an immediate increase in net tangible book value of \$ _____ per share to our existing stockholders and an immediate dilution in net tangible book value of approximately \$ _____ per share to new investors purchasing shares of common stock in this offering at the assumed initial public offering price. We determine dilution by subtracting the adjusted net tangible book value per share after this offering from the amount of cash that a new investor paid for a share of common stock. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$ _____
Net tangible book value as of July 2, 2005	\$ _____
Increase attributable to this offering	_____
Adjusted net tangible book value per share after this offering	_____
Dilution in net tangible book value per share to new investors	\$ _____

If the underwriters exercise their option to purchase additional shares of our common stock in full in this offering, the net tangible book value per share after the offering would be \$ _____ per share, the increase in net tangible book value per share to existing stockholders would be \$ _____ per share and the dilution to new investors purchasing shares in this offering would be \$ _____ per share.

The following table summarizes, as of July 2, 2005, the differences between the number of shares purchased from us, the total consideration paid to us and the average price per share that existing stockholders and new investors paid. The calculation below is based on an assumed initial public offering price of \$ _____ per share, which is the midpoint of the range listed on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses that we must pay:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	_____	_____%	\$ _____	_____%	\$ _____
New investors	_____	_____%	\$ _____	_____%	\$ _____
Total	_____	_____%	\$ _____	_____%	

The above discussion and table assume no exercise of outstanding stock options or the outstanding warrant. As of July 2, 2005, we had outstanding options to purchase a total of 2,954,233 shares of common stock at a weighted average exercise price of \$2.39 per share, and an outstanding warrant to purchase a total of 18,000 shares of common stock at an approximate exercise price of \$3.74 per share. To the extent any of these options or this warrant is exercised, there will be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL DATA

The following consolidated statements of operations data for the years ended December 31, 2002, 2003 and 2004 and consolidated balance sheet data as of December 31, 2003 and 2004 have been derived from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. The statements of operations data for the years ended December 31, 2000 and 2001 and the balance sheet data as of December 31, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements that do not appear in this prospectus. The statement of operations data for the six months ended June 30, 2004 and July 2, 2005 and the balance sheet as of July 2, 2005 have been derived from our unaudited consolidated financial statements and related notes, which are included elsewhere in the prospectus. In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for the fair presentation of our financial position and results of operations for these periods. The consolidated selected financial data set forth below should be read in conjunction with our consolidated financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The historical results are not necessarily indicative of the results to be expected for any future period.

	Year Ended December 31,					Six Months Ended	
	2000	2001	2002	2003	2004	June 30, 2004	July 2, 2005
	(in thousands, except per share data)						
Consolidated Statement of Operations:							
Revenue							
Product revenue(1)	\$ 1,904	\$ 1,408	\$ 6,955	\$ 45,896	\$ 82,147	\$ 23,087	\$ 34,723
Contract revenue	8,846	12,077	7,223	7,661	12,365	5,039	8,233
Royalty revenue	—	27	639	759	531	483	62
Total revenue	<u>10,750</u>	<u>13,512</u>	<u>14,817</u>	<u>54,316</u>	<u>95,043</u>	<u>28,609</u>	<u>43,018</u>
Cost of Revenue							
Cost of product revenue	1,506	1,148	4,896	31,194	59,321	16,471	26,750
Cost of contract revenue	6,607	8,566	11,861	6,143	8,371	3,345	5,770
Total cost of revenue	<u>8,113</u>	<u>9,714</u>	<u>16,757</u>	<u>37,337</u>	<u>67,692</u>	<u>19,816</u>	<u>32,520</u>
Gross Profit (Loss)(1)	<u>2,637</u>	<u>3,798</u>	<u>(1,940)</u>	<u>16,979</u>	<u>27,351</u>	<u>8,793</u>	<u>10,498</u>
Operating Expenses							
Research and development	3,225	1,846	1,736	3,848	5,504	2,563	5,713
Selling, general and administrative	3,038	4,669	7,128	20,521	21,404	9,188	12,061
Stock-based compensation(2)	—	—	—	—	—	—	90
Total operating expenses	<u>6,263</u>	<u>6,515</u>	<u>8,864</u>	<u>24,369</u>	<u>26,908</u>	<u>11,751</u>	<u>17,864</u>
Operating Income (Loss)	<u>(3,626)</u>	<u>(2,717)</u>	<u>(10,804)</u>	<u>(7,390)</u>	<u>443</u>	<u>(2,958)</u>	<u>(7,366)</u>
Other Income (Expense), Net	171	101	45	15	(80)	(41)	211
Income (Loss) Before Income Taxes	<u>(3,455)</u>	<u>(2,616)</u>	<u>(10,759)</u>	<u>(7,375)</u>	<u>363</u>	<u>(2,999)</u>	<u>(7,155)</u>
Income Tax Expense	8	16	15	36	144	1	2
Net Income (Loss)	<u>\$ (3,463)</u>	<u>\$ (2,632)</u>	<u>\$ (10,774)</u>	<u>\$ (7,411)</u>	<u>\$ 219</u>	<u>\$ (3,000)</u>	<u>\$ (7,157)</u>
Net Income (Loss) Per Share							
Basic	\$ (0.66)	\$ (0.50)	\$ (2.00)	\$ (0.79)	\$ 0.01	\$ (0.31)	\$ (0.72)
Diluted	\$ (0.66)	\$ (0.50)	\$ (2.00)	\$ (0.79)	\$ 0.01	\$ (0.31)	\$ (0.72)
Number of Shares Used in Per Share Calculations							
Basic	5,231	5,312	5,391	9,352	9,660	9,530	10,008
Diluted	5,231	5,312	5,391	9,352	19,183	9,530	10,008
Pro Forma Net Income (Loss) Data(3):							
Pro Forma Net Income (Loss) Per Share							
Basic					\$ 0.01		\$ (0.37)
Diluted					\$ 0.01		\$ (0.37)
Number of Shares Used in Pro Forma Per Share Calculations							
Basic					18,002		19,565
Diluted					19,183		19,565

(1) Beginning in the first quarter of 2004, we converted from recognizing revenue from U.S. consumer product sales on a "sell-through" basis (when retail stores sold our robots) to a "sell-in" basis (when our robots are shipped to retail stores). As a result of this conversion, our revenue and gross profit in the first quarter of 2004 included \$5.7 million and \$2.5 million, respectively, from robots shipped prior to 2004.

(2) Stock-based compensation recorded in 2005 breaks down by expense classification as follows:

	Six Months Ended July 2, 2005 (unaudited) (in thousands)
Cost of product revenue	\$ 9
Cost of contract revenue	11
Research and development	32
Selling, general and administrative	38
Total stock-based compensation	\$ 90

(3) We have computed the pro forma net income (loss) per share and the pro forma weighted-average shares outstanding included in the statement of operations data as we describe in Note 2 of the notes to our consolidated financial statements.

	As of December 31,					As of July 2, 2005 (unaudited)
	2000	2001	2002	2003	2004	
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 806	\$ 7,179	\$ 3,014	\$ 4,620	\$ 19,441	\$ 15,090
Total assets	5,241	10,580	8,705	27,827	46,314	40,336
Total liabilities	2,015	3,182	12,049	25,624	33,097	33,672
Total redeemable convertible preferred stock	7,873	14,639	14,639	27,562	37,506	37,506
Total stockholders' equity (deficit)	(4,646)	(7,241)	(17,983)	(25,359)	(24,289)	(30,843)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

Overview

iRobot is a leading global provider of robots that enable people to complete complex tasks in a better way. Founded in 1990 by roboticists who performed research at the Massachusetts Institute of Technology, we have developed proprietary technology incorporating advanced concepts in navigation, mobility, manipulation and artificial intelligence to build industry-leading robots. Our Roomba floor vacuuming robot and recently announced Scooba floor washing robot perform time-consuming domestic chores, and our PackBot tactical military robots perform battlefield reconnaissance and bomb disposal. In addition, we are developing the Small Unmanned Ground Vehicle reconnaissance robot for the U.S. Army's transformational Future Combat Systems program and, in conjunction with Deere & Company, the R-Gator unmanned ground vehicle. We sell our robots to consumers through a variety of distribution channels, including over 7,000 retail locations and our on-line store, and to the U.S. military and other government agencies worldwide.

As of July 2, 2005, we had 214 full-time employees, of whom over half are engineers specializing in the design of robots. We have developed expertise in all the disciplines necessary to build durable, high-performance and cost-effective robots through the close integration of software, electronics and hardware. Our core technologies serve as reusable building blocks that we adapt and expand to develop next generation and new products, reducing the time, cost and risk of product development. Our significant expertise in robot design and engineering, combined with our management team's experience in military and consumer markets, positions us to capitalize on the expected growth in the market for robots.

Over the past three years, we sold more than 1.2 million of our Roomba floor vacuuming robots. We also sold to the U.S. military during that time more than 200 of our PackBot tactical military robots, most of which have been deployed on missions in Afghanistan and Iraq.

Revenue

We currently derive revenue from product sales and research and development services. Product revenue is derived from the sale of our various Roomba and PackBot robots and related accessories. Research and development revenue is derived from the execution of contracts awarded by the U.S. federal government, other governments and a small number of commercial and industrial customers. In the future, we expect to derive increasing revenue from product maintenance and support services.

We currently derive a majority of our revenue from the sale of our Roomba robots. In 2004, funded research and development contracts accounted for approximately 13.0% of our total revenue. We expect to continue to perform funded research and development work with the intent of leveraging the technology developed to advance our new product development efforts. In the future, however, we expect that revenue from funded research and development contracts could grow modestly on a dollar basis and represent a decreasing percentage of our revenue.

In 2004, approximately 82.2% of our consumer product revenue resulted from sales to twelve customers, primarily U.S. retailers, and 86.3% of military product revenue and 78.1% of funded research and development contract revenue resulted from orders and contracts from the U.S. federal government.

Our revenue from product sales is generated through sales to our retail distribution channels, our distributor network and to certain U.S. and foreign governments. In 2002, when our Roomba robot was first

commercially introduced and throughout 2003, we recognized revenue from our U.S. consumer product sales on a “sell-through basis” (when retail stores sold our Roomba robots to end users). In the first quarter of 2004, we began recognizing revenue from U.S. consumer product sales on a “sell-in basis” (when our robots are shipped by us to the retail stores). As a result of this change in accounting treatment, in the first quarter of 2004 we recognized \$5.7 million of product revenue from products shipped prior to 2004. This one-time increase impacts period-to-period comparisons relating to 2004. Revenue from sales of our military robots is recognized upon the later to occur of shipment or customer acceptance.

Revenue from consumer product sales is significantly seasonal, with a majority of our consumer product revenue generated in the second half of the year (in advance of the holiday season). Revenue from our military robot sales and revenue from funded research and development contracts are occasionally influenced by the September 30 fiscal year-end of the U.S. federal government, but are not otherwise significantly seasonal. In addition, our revenue can be affected by the timing of the release of new products and the award of new contracts.

Cost of Revenue

The most significant components of our cost of revenue are raw materials and labor. Raw material costs, which are our most significant cost items, generally have not fluctuated materially as a percentage of revenue since the introduction of our robots in 2002. There can be no assurance, however, that our costs of raw materials will not increase.

Labor costs also comprise a significant portion of our cost of revenue. Compared to our PackBot robots, labor costs for our Roomba robots comprise a greater percentage of the associated cost of revenue. We outsource the manufacture of our Roomba robots to a contract manufacturer in China. While labor costs in China traditionally have been favorable compared to labor costs elsewhere in the world, including the United States, we believe that labor in China is becoming more scarce. Consequently, the labor costs for our Roomba robots could increase in the future.

Gross Profit

Our gross profit as a percentage of revenue varies according to the mix of products sold. Currently, our consumer robots typically have a higher gross profit as a percentage of revenue than our military robots due to lower-volume, early-stage production of our military robots.

As a result of the change in accounting from a “sell-through” to “sell-in” basis, we recognized \$2.5 million of gross profit in the first quarter of 2004, which disproportionately increased our gross profit as a percentage of revenues in that quarter and 2004.

Research and Development Expenses

Research and development expenses consist primarily of:

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

We have significantly expanded our research and development capabilities and expect to continue to expand these capabilities in the future. Substantially all of our research and development is performed in the United States, although we maintain a limited staff of engineering personnel in Hong Kong to serve as a liaison between our U.S.-based engineering staff and our outsourced manufacturer in China. We are committed to increasing the level of innovative design and development of new products as we strive to enhance our ability to serve our existing consumer and military markets as well as new markets for robots.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist primarily of:

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

As we focus on increasing our market penetration and continuing to build brand awareness, we anticipate that selling, general and administrative expenses will continue to increase in absolute dollars for the foreseeable future. Selling, general and administrative costs as a percentage of our revenue are not likely to decrease in the foreseeable future as we intend to continue to take advantage of our market-leading position in the robot industry by building on the iRobot brand. We also expect our general and administrative expenses will increase due to our preparations to become and to operate as a public company, including costs associated with compliance with Section 404 of the Sarbanes-Oxley Act, directors' and officers' liability insurance, increased professional services, and a new investor relations function.

Stock-Based Compensation Expenses

We have recorded deferred stock-based compensation expense related to grants of stock options made after January 1, 2005. This amount represents the difference between the exercise price of an option awarded to an employee and the amount subsequently reassessed to be the fair market value of the underlying shares on the date of grant. We incur stock-based compensation expenses as we amortize the deferred stock-based compensation amounts over the related vesting periods, up to five years. In addition, we have awarded options to non-employees to purchase our common stock. Stock-based compensation expenses related to non-employees are measured on a fair-value basis using the Black-Scholes valuation model as the options are earned.

Deferred stock-based compensation based on outstanding stock options at July 2, 2005 is approximately \$1.2 million. We expect to record aggregate amortization of stock-based compensation expense of approximately \$65,000 and \$65,000 for the third and fourth quarters of 2005, respectively, from these outstanding options and subject to continued vesting of options. In addition, we expect to record aggregate amortization of stock-based compensation expense of approximately \$259,000, \$259,000, \$253,000, \$252,000 and \$41,000 for 2006, 2007, 2008, 2009 and 2010, respectively, from these outstanding options and subject to continued vesting of options.

Fiscal Periods

Historically, our fiscal year ended on December 31 and our fiscal quarters ended on March 31, June 30, September 30 and December 31. Reference to 2004, for example, refers to the fiscal year ended December 31, 2004. Beginning in fiscal 2005, we operate and report using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, each of our fiscal quarters ends on the Saturday that falls closest to the last day of the third calendar month of the quarter.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and

expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

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

Revenue Recognition

We recognize revenue from sales of consumer products under the terms of the customer agreement upon transfer of title to the customer, provided the price is fixed or determinable, collection is determined to be probable and no significant obligations remain. Sales to resellers are subject to agreements allowing for limited rights of return, rebates and price protection. Accordingly, we reduce revenue for our estimates of liabilities for these rights at the time the related sale is recorded. The estimates for returns are adjusted periodically based upon historical rates of returns, inventory levels in the channel and other related factors. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates. Through 2003, we recognized revenue on sales to certain distributors and retail customers upon their sale to the end user. Starting in the first quarter of 2004, as a result of our accumulation of sufficient experience to reasonably estimate allowances for product returns, we adopted the standard industry practice of recognizing revenue on all sales upon delivery of product to distributors and retail stores and established a related allowance for future returns based upon historical experience. If future trends or our ability to estimate were to change significantly from those experienced in the past, incremental reductions or increases to revenue may result based on this new experience.

Under cost-plus research and development contracts, we recognize revenue based on costs incurred plus a pro-rata portion of the total fixed fee. We recognize revenue on fixed-price contracts using the percentage-of-completion method. Costs and estimated gross profits on contracts are recorded as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs and funding. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income, and are recorded or recognized, as the case may be, in the period in which the revisions are determined. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to past performance in the current period. When the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period. Revenue earned in excess of billings, if any, is recorded as unbilled revenue. Billings in excess of revenue earned, if any, are recorded as deferred revenue.

Accounting for Stock-Based Awards

We apply Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees*, and related interpretations (Opinion 25), in accounting for our stock-based compensation plan. Accordingly, compensation expense is recorded for options issued to employees in fixed amounts and with fixed exercise prices only to the extent that such exercise prices are less than the fair market value at the date of grant. We follow the disclosure provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation— Transition and Disclosure*. All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS 123 and related interpretations.

On December 16, 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R). SFAS 123R eliminates the alternative of applying the intrinsic value measurement provisions of Opinion 25 to stock compensation awards issued to employees. Instead, SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the

award. That cost must be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period, which is usually the vesting period.

We have not yet quantified the effects of the adoption of SFAS 123R, but we expect that the new standard will result in significant stock-based compensation expense. The effects of adopting SFAS 123R will depend on numerous factors, including the valuation model we choose to value stock-based awards, the assumed award forfeiture rate, the accounting policies we adopt concerning the method of recognizing the fair value of awards over the requisite service period and the transition method, as described below, we choose for adopting SFAS 123R. SFAS 123R will be effective for our fiscal quarter beginning January 1, 2006.

Accounting for 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. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

To date, for U.S. federal income tax purposes, we have operated in a loss position. We have \$13.1 million of net operating loss carry-forwards as of December 31, 2004, although the use of these net operating loss carry-forwards may be limited by changes in our ownership. We expect that these net operating loss carry-forwards will impact our effective tax rate over the next several years. There, however, can be no assurance as to the rate at which these net operating loss carry-forwards can be utilized, or as to whether there will be any other tax incentives available after 2004.

Warranty

We provide a one-year warranty against defects in materials and workmanship and will either repair the goods, provide replacement products at no charge to the customer or refund amounts to the customer for defective products. We record estimated warranty costs, based on historical experience by product, at the time we recognize product revenue. As the complexity of our products increases, we could experience higher warranty claims relative to sales than we have previously experienced, and we may need to increase these estimated warranty reserves.

Inventory Valuation

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

Overview of Results of Operations

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

	Fiscal Year Ended December 31,			Six Months Ended	
	2002	2003	2004	June 30, 2004	July 2, 2005
	(in thousands)			(unaudited)	
Revenue					
Product revenue ⁽¹⁾	\$ 6,955	\$ 45,896	\$ 82,147	\$ 23,087	\$ 34,723
Contract revenue	7,223	7,661	12,365	5,039	8,233
Royalty revenue	639	759	531	483	62
Total revenue	<u>14,817</u>	<u>54,316</u>	<u>95,043</u>	<u>28,609</u>	<u>43,018</u>
Cost of Revenue					
Cost of product revenue	4,896	31,194	59,321	16,471	26,750
Cost of contract revenue	11,861	6,143	8,371	3,345	5,770
Total cost of revenue	<u>16,757</u>	<u>37,337</u>	<u>67,692</u>	<u>19,816</u>	<u>32,520</u>
Gross profit (loss) ⁽¹⁾	<u>(1,940)</u>	<u>16,979</u>	<u>27,351</u>	<u>8,793</u>	<u>10,498</u>
Operating Expenses					
Research and development	1,736	3,848	5,504	2,563	5,713
Selling, general and administrative	7,128	20,521	21,404	9,188	12,061
Stock-based compensation ⁽²⁾	—	—	—	—	90
Total operating expenses	<u>8,864</u>	<u>24,369</u>	<u>26,908</u>	<u>11,751</u>	<u>17,864</u>
Operating income (loss)	<u>(10,804)</u>	<u>(7,390)</u>	<u>443</u>	<u>(2,958)</u>	<u>(7,366)</u>
Other income (expense), net					
Income (loss) before income taxes	<u>45</u>	<u>15</u>	<u>(80)</u>	<u>(41)</u>	<u>211</u>
Income tax expense	15	36	144	1	2
Net income (loss)	<u>\$ (10,774)</u>	<u>\$ (7,411)</u>	<u>\$ 219</u>	<u>\$ (3,000)</u>	<u>\$ (7,157)</u>

(1) Beginning in the first quarter of 2004, we converted from recognizing revenue from U.S. consumer product sales on a "sell-through" basis (when retail stores sold our robots) to a "sell-in" basis (when our robots are shipped to retail stores). As a result of this conversion, our revenue and gross profit in the first quarter of 2004 included \$5.7 million and \$2.5 million, respectively, from robots shipped prior to 2004.

(2) Stock-based compensation recorded in 2005 breaks down by expense classification as follows:

	Six Months Ended July 2, 2005 (unaudited) (in thousands)
Cost of product revenue	\$ 9
Cost of contract revenue	11
Research and development	32
Selling, general and administrative	38
Total stock-based compensation	<u>\$ 90</u>

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

	Fiscal Year Ended December 31,			Six Months Ended	
	2002	2003	2004	June 30, 2004	July 2, 2005
Revenue					
Product revenue	47.0%	84.5%	86.4%	80.7%	80.8%
Contract revenue	48.7	14.1	13.0	17.6	19.1
Royalty revenue	4.3	1.4	0.6	1.7	0.1
Total revenue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Cost of Revenue					
Cost of product revenue	33.0	57.4	62.4	57.6	62.2
Cost of contract revenue	80.1	11.3	8.8	11.7	13.4
Total cost of revenue	<u>113.1</u>	<u>68.7</u>	<u>71.2</u>	<u>69.3</u>	<u>75.6</u>
Gross profit (loss)	(13.1)	31.3	28.8	30.7	24.4
Operating Expenses					
Research and development	11.7	7.1	5.8	9.0	13.3
Selling, general and administrative	48.1	37.8	22.5	32.1	28.0
Stock-based compensation	—	—	—	—	0.2
Total operating expenses	<u>59.8</u>	<u>44.9</u>	<u>28.3</u>	<u>41.1</u>	<u>41.5</u>
Operating income (loss)	(72.9)	(13.6)	0.5	(10.4)	(17.1)
Other income (expense), net	0.3	—	(0.1)	(0.1)	0.5
Income (loss) before income taxes	(72.6)	(13.6)	0.4	(10.5)	(16.6)
Income tax expense	0.1	—	0.2	—	—
Net income (loss)	<u>(72.7)%</u>	<u>(13.6)%</u>	<u>0.2%</u>	<u>(10.5)%</u>	<u>(16.6)%</u>

Comparison of Six Months Ended July 2, 2005 to Six Months Ended June 30, 2004

Revenue

Our revenue increased 50.4% to \$43.0 million in the six months ended July 2, 2005 from \$28.6 million in the six months ended June 30, 2004. Revenue increased approximately \$200,000, or 0.9%, in our consumer business and \$14.6 million, or 166.4%, in our government and industrial business. The increase in revenue from our consumer products was driven by continued demand for our Roomba floor vacuuming robots, and in particular by the introduction of the second generation of our Roomba robots in the third quarter of 2004. The increase in revenue from our government and industrial business was due primarily to increased revenue from sales of our military robots, including as a result of an order for our PackBot tactical military robots from the U.S. Navy.

Our revenue in 2004 was impacted by our conversion in accounting for U.S. consumer product sales from a "sell-through" basis (when retail stores sell our Roomba robots to their customers) to a "sell-in" basis (when our robots are shipped by us to the retail stores). As a result of this conversion, in 2004 we recognized \$5.7 million of product revenue from products shipped by us prior to 2004. If such one-time revenue had not been included in our results in the six months ended June 30, 2004, revenues in our consumer business would have increased by \$5.9 million, or 43.1%, from the six months ended June 30, 2004 to the comparable period of 2005.

Gross Profit

Gross profit increased 19.4% to \$10.5 million in the six months ended July 2, 2005, from \$8.8 million in the six months ended June 30, 2004. Gross profit as a percentage of revenue decreased to 24.4% in the six

months ended July 2, 2005 from 30.7% of revenue in the six months ended June 30, 2004. This decrease in gross profit, as a percentage of revenue, was primarily due to a one-time increase in gross profit as a result of our conversion to "sell-in" accounting in the first quarter of 2004 and, to a lesser extent, to a decrease in royalty revenue as a percentage of revenue and an increase in the percentage of revenue from the sale of our PackBot robots at a lower gross margin than that realized on our consumer product sales. As a result of this conversion to "sell-in" accounting, we recognized \$2.5 million in gross profit in the six months ended June 30, 2004.

Research and Development

Research and development expenses increased approximately 122.9% to \$5.7 million (13.3% of revenue) in the six months ended July 2, 2005 from \$2.6 million (9.0% of revenue) in the six months ended June 30, 2004. The increase in research and development expenses was primarily due to increased headcount in our consumer products research and development function. In the six months ended July 2, 2005 and June 30, 2004, we incurred the majority of our independent (non-funded) research and development expenses to support the development of enhancements to our Roomba product line. In addition, at the beginning of 2004, we began product development work on a floor washing robot now known as Scooba. Research and development expenses for our government and industrial business do not include the costs of research funded by various government and industrial third parties. The direct costs of these funded programs increased by \$2.5 million from \$3.3 million in the six months ended June 30, 2004 to \$5.8 million in the six months ended July 2, 2005.

Selling, General and Administrative

Selling, general and administrative expenses increased 31.3% to \$12.1 million (28.0% of revenue) in the six months ended July 2, 2005 from \$9.2 million (32.1% of revenue) in the six months ended June 30, 2004. The increase in selling, general and administrative expenses was primarily due to an increase in advertising and promotion in support of the Roomba product line, including our Roomba Scheduler robot, an expansion of our corporate administrative support services in the areas of accounting, information technology, human resources, legal and corporate marketing, and the expenses associated with our preparations to become a public company during the six months ended July 2, 2005.

Other Income (Expense), Net

Other income, net amounted to \$211,000 in the six months ended July 2, 2005 compared to other expense, net of approximately \$41,000 in the six months ended June 30, 2004. The increase in other income (expense), net was primarily due to interest earned on invested cash during the six months ended July 2, 2005.

Income Tax Provision

Since we operated at a net loss during the first six months of 2005 and 2004, we did not incur an income tax expense during either period.

Comparison of Years Ended December 31, 2004 and 2003

Revenue

Our revenue increased 75.0% to \$95.0 million in 2004, from \$54.3 million in 2003. Revenue increased \$28.3 million, or 65.6%, in our consumer business and \$12.0 million, or 106.6%, in our government and industrial business. The increase in revenue from our consumer products was driven by continued strong demand for our Roomba floor vacuuming robot, originally introduced in late 2002, and in particular by the introduction of the second generation of our Roomba floor vacuuming robots in the third fiscal quarter of 2004. The increase in revenue from our government and industrial business was due primarily to increased revenue from sales of our military robots and, to a lesser extent to increased contract revenue. The sales of our military robots in 2004 were driven by the continued strong demand for our PackBot robot, attributable primarily to the

level of hostilities in Afghanistan and Iraq and the need for soldiers to deal with a large number of explosive devices.

Our revenue in 2004 was impacted by our conversion in accounting for U.S. consumer product sales from a "sell-through" basis to a "sell-in" basis. As a result of this conversion, we recognized \$5.7 million of product revenue in the first quarter of 2004 from products shipped by us prior to 2004.

Gross Profit

Gross profit increased 61.1% to \$27.4 million in 2004, from \$17.0 million in 2003. Gross profit as a percentage of revenue decreased to 28.8% in 2004 from 31.3% of revenue in 2003. This decrease in gross profit, as a percentage of revenue, was due primarily to a decrease in royalty revenue derived from a third-party product no longer sold and to the reduction of the sales price of our first-generation Roomba robot in anticipation of the introduction of the second-generation robots. As a result of our conversion to "sell-in" accounting, we recognized \$2.5 million in gross profit in 2004.

Research and Development

Research and development expenses increased approximately 43.0% to \$5.5 million (5.8% of revenue) in 2004 from \$3.8 million (7.1% of revenue) in 2003. In 2004 and 2003, we incurred the majority of our independent (non-funded) research and development expenses to support the development of enhancements to our Roomba product line resulting in the launch of the second-generation of our Roomba floor vacuuming robots in 2004. In addition, at the beginning of 2004, we began product development work on our Scooba floor washing robot. Research and development expenses for our government and industrial business do not include the costs of research funded by various government and industrial third-parties. The direct costs of these funded programs increased by \$2.3 million from \$6.1 million in 2003 to \$8.4 million in 2004.

Selling, General and Administrative

Selling, general and administrative expenses increased slightly to \$21.4 million (22.5% of revenue) in 2004 from \$20.5 million (37.8% of revenue) in 2003. The spending in 2003 reflects our promotion of our Roomba robot in its first full year of availability, including a significant investment in advertising for market penetration and product and brand awareness.

Other Income (Expense), Net

Other income (expense), net principally consists of interest income on our investment portfolio, partially offset by interest expense as we occasionally borrow on a working capital line of credit. Other expense, net for 2004 amounted to \$80,000 compared to other income, net of \$15,000 in 2003. In 2004, the other expense, net consisted primarily of interest expense incurred as a result of our borrowings under our working capital line of credit and discounts for accelerated payments \$140,000, partially offset by interest income of \$60,000 earned on our cash portfolio.

Income Tax Provision

Our income taxes represent primarily state taxes and the impact of applying the alternative minimum tax rules. We had \$13.1 million and \$13.2 million of tax loss carry-forwards, for U.S. federal income tax purposes, outstanding as of December 31, 2004 and December 31, 2003, respectively.

Comparison of Years Ended December 31, 2003 and 2002

Revenue

Our revenue increased 266.6% to \$54.3 million in 2003, from \$14.8 million in 2002. Product revenue increased \$38.9 million, or 559.9%, and contract revenue increased approximately \$400,000, or 6.1%. The increase in product revenue in 2003 resulted from the first full year of sales of our Roomba robots, originally introduced in late 2002, and the first full year of sales of our PackBot robots, first introduced to the military

market in late 2002. In addition, throughout 2003, we consistently added new stores to our retail distribution network.

Gross Profit

Gross profit increased to \$17.0 million in 2003, from a negative gross profit of \$1.9 million in 2002. Gross profit as a percentage of revenue increased to 31.3% of revenue in 2003 from a negative gross profit as a percentage of revenue of 13.1%. This improved gross profit as a percentage of revenue was due to contract revenue exceeding contract costs in 2003 by \$1.5 million and a gross profit percentage of 32.0% on product revenue in 2003. The loss in 2002 was primarily due to \$11.9 million of contract costs being only partially offset by \$7.2 million of contract revenue.

Research and Development

Research and development expenses increased approximately 121.7% to \$3.8 million (7.1% of revenue) in 2003 from \$1.7 million (11.7% of revenue) in 2002. The majority of this increase in 2003 was due to product development work on our Roomba robots, including work on several enhancements to the first-generation Roomba robot and on our second-generation Roomba products. Research and development expenses do not include the costs of research funded by various government and industrial third-parties. The direct costs of these funded programs decreased by \$5.8 million from \$11.9 million in 2002 to \$6.1 million in 2003.

Selling, General and Administrative

Selling, general and administrative expenses increased approximately 187.9% to \$20.5 million (37.8% of revenue) in 2003 from \$7.1 million (48.1% of revenue) in 2002. During 2003, we initiated our first significant efforts to promote, market and sell our Roomba robots. The increase in selling, general and administrative expenses in 2003 was due in large part to these promotional efforts and our substantial investment in our financial and systems capabilities.

Other Income (Expense), Net

Other income, net for 2003 amounted to \$15,000 compared to \$45,000 in 2002. In 2003 and 2002, the other income, net was primarily interest income earned on our cash portfolio.

Income Tax Provision

We had \$13.2 million and \$14.8 million of tax loss carry-forwards, for U.S. federal income tax purposes, outstanding as of December 31, 2003 and December 31, 2002, respectively.

Quarterly Results of Operations

You should read the following tables presenting our unaudited quarterly results of operations in conjunction with the consolidated financial statements and related notes contained elsewhere in this prospectus. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. You should also keep in mind, as you read the following tables, that our operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

The following table presents our unaudited quarterly results of operations for the six fiscal quarters ended July 2, 2005. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair statement of our financial position and operating results for the quarters presented.

	Fiscal Quarter Ended					
	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	March 31, 2005	July 2, 2005
	(unaudited) (in thousands)					
Revenue						
Product revenue ⁽¹⁾	\$ 15,812	\$ 7,275	\$ 25,502	\$ 33,558	\$ 12,531	\$ 22,193
Contract revenue	2,221	2,818	3,461	3,865	4,539	3,693
Royalty revenue	465	18	(15)	62	62	—
Total revenue	<u>18,498</u>	<u>10,111</u>	<u>28,948</u>	<u>37,485</u>	<u>17,132</u>	<u>25,886</u>
Cost of Revenue						
Cost of product revenue	10,417	6,053	18,560	24,290	9,834	16,917
Cost of contract revenue	1,352	1,994	2,101	2,924	3,124	2,645
Total cost of revenue	<u>11,769</u>	<u>8,047</u>	<u>20,661</u>	<u>27,214</u>	<u>12,958</u>	<u>19,562</u>
Gross profit ⁽¹⁾	6,729	2,064	8,287	10,271	4,174	6,324
Operating Expenses						
Research and development	1,422	1,141	1,206	1,735	3,048	2,665
Selling, general and administrative	4,790	4,399	4,139	8,077	5,295	6,766
Stock-based compensation ⁽²⁾	—	—	—	—	27	63
Total operating expenses	<u>6,212</u>	<u>5,540</u>	<u>5,345</u>	<u>9,812</u>	<u>8,370</u>	<u>9,494</u>
Operating income (loss)	517	(3,476)	2,942	459	(4,196)	(3,170)
Other income (expense), net	(35)	(5)	(7)	(32)	97	114
Income (loss) before income taxes	482	(3,481)	2,935	427	(4,099)	(3,056)
Income tax expense	1	—	124	19	2	—
Net income (loss)	<u>\$ 481</u>	<u>\$ (3,481)</u>	<u>\$ 2,811</u>	<u>\$ 408</u>	<u>\$ (4,101)</u>	<u>\$ (3,056)</u>

- (1) Beginning in the first quarter of 2004, we converted from recognizing revenue from U.S. consumer product sales on a "sell-through" basis (when retail stores sold our robots) to a "sell-in" basis (when our robots are shipped to retail stores). As a result of this conversion, our revenue and gross profit in the first quarter of 2004 included \$5.7 million and \$2.5 million, respectively, from robots shipped prior to 2004.
- (2) Stock-based compensation recorded in 2005 breaks down by expense classification as follows:

	Fiscal Quarter Ended	
	March 31, 2005	July 2, 2005
	(unaudited) (in thousands)	
Cost of product revenue	\$ 3	\$ 6
Cost of contract revenue	4	7
Research and development	10	22
Selling, general and administrative	10	28
Total stock-based compensation	<u>\$ 27</u>	<u>\$ 63</u>

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

	Fiscal Quarter Ended					
	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	March 31, 2005	July 2, 2005
Revenue						
Product revenue	85.5%	72.0%	88.0%	89.5%	73.1%	85.7%
Contract revenue	12.0	27.9	12.0	10.3	26.5	14.3
Royalty revenue	2.5	0.1	—	0.2	0.4	—
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Revenue						
Cost of product revenue	56.3	59.9	64.1	64.8	57.4	65.4
Cost of contract revenue	7.3	19.7	7.3	7.8	18.2	10.2
Total cost of revenue	63.6	79.6	71.4	72.6	75.6	75.6
Gross profit	36.4	20.4	28.6	27.4	24.4	24.4
Operating Expenses						
Research and development	7.7	11.3	4.2	4.6	17.8	10.3
Selling, general and administrative	25.9	43.5	14.3	21.6	30.9	26.1
Stock-based compensation	—	—	—	—	0.2	0.2
Total operating expenses	33.6	54.8	18.5	26.2	48.9	36.6
Operating income (loss)	2.8	(34.4)	10.1	1.2	(24.5)	(12.2)
Other income (expense), net	(0.2)	—	—	(0.1)	0.6	0.4
Income (loss) before income taxes	2.6	(34.4)	10.1	1.1	(23.9)	(11.8)
Income tax expense	—	—	0.4	0.1	—	—
Net income (loss)	2.6%	(34.4)%	9.7%	1.0%	(23.9)%	(11.8)%

Driven primarily by sales of our Roomba robots, our consumer product revenue has tended to be significantly seasonal, with a majority of our consumer product revenue generated in the second half of the year (in advance of the holiday season). Retail customers typically place orders for the holiday season in the third quarter and early in the fourth quarter.

Our contract revenue increased each quarter during 2004 and the first quarter of 2005 due primarily to our increasing activity in U.S. Army's Future Combat Systems, or FCS, program. Our contract revenue declined slightly in the second quarter of 2005 due primarily to non-recurring work performed under the FCS contract during the first quarter of 2005. Since our FCS contract is a cost-reimbursable type contract, we generate revenue by assigning personnel to the contract and prosecuting the work. Excluding revenue from our FCS contract, our contract revenue has grown modestly on a quarterly basis.

Our gross profit as a percentage of revenue fluctuates significantly on a quarterly basis. Since certain costs of revenue are relatively fixed in the near term (for example, manufacturing engineering, quality assurance and related overhead costs), our gross profit tends to be lower during the first half of the year and to improve as revenue increases in the second half of the year.

Liquidity and Capital Resources

At December 31, 2004 and July 2, 2005, our principal sources of liquidity were cash, cash equivalents and restricted cash totaling \$19.4 million and \$15.1 million, respectively, and accounts receivable of \$14.4 million and \$7.3 million, respectively. We have funded our growth primarily with proceeds from the issuance of convertible preferred stock for aggregate net cash proceeds of \$37.5 million, occasional borrowings under a working capital line of credit and cash generated from operations.

Discussion of Cash Flows

Net cash used by our operating activities in the first half of 2005 was \$3.4 million compared to net cash generated by operating activities of \$8.9 million in 2004 and net cash used by operating activities of \$11.3 million in 2003 and \$3.7 million in 2002. The cash used by our operating activities in the first half of 2005 was primarily due to a net loss of \$7.2 million and an increase in inventory of \$4.7 million, offset by a decrease in accounts receivable of \$7.1 million, an increase in liabilities of approximately \$600,000, and depreciation and amortization of deferred compensation of approximately \$900,000 and \$200,000, respectively, both of which are non-cash expenses. The cash provided by our operating activities in 2004 was primarily due to net income of approximately \$200,000, an increase in total liabilities of \$8.8 million, a decrease in inventory of \$3.8 million, a decrease in unbilled revenue of approximately \$400,000 and a decrease in other assets of approximately \$400,000, which were partially offset by an increase in accounts receivable of \$6.3 million. In addition, in 2004, we had \$1.3 million of depreciation expense and approximately \$300,000 of amortization of deferred compensation, which are non-cash expenses. The cash used by our operating activities in 2003 was primarily due to a net loss of \$7.4 million, an increase in accounts receivable and unbilled revenue of approximately \$8.0 million, an increase in inventory of \$8.8 million and an increase in other assets of approximately \$100,000, which were partially offset by an increase in total liabilities of \$12.3 million. In addition, in 2003, we had approximately \$700,000 of depreciation expense, which is a non-cash expense. The cash used by our operating activities in 2002 was primarily due to a net loss of \$10.8 million, an increase in unbilled revenue of approximately \$300,000, an increase in inventory of \$1.8 million and an increase in other assets of approximately \$400,000, which were partially offset by an increase in total liabilities of \$8.9 million. In addition, in 2002, we had approximately \$500,000 of depreciation expense, which is a non-cash expense.

Net cash used in our investing activities was \$1.4 million in the first half of 2005, \$3.2 million in 2004, \$1.3 million in 2003 and approximately \$400,000 in 2002. Investment activities throughout the period represent the purchase of capital equipment in support of our growth, including computer equipment, internal use software, furniture and fixtures, engineering and test equipment, and production tooling. A significant portion of the increase in investing activities from 2003 to 2004 reflects the purchase of production tooling in support of the ramp-up of Roomba production.

Net cash provided by our financing activities was approximately \$400,000 in the first half of 2005, \$9.2 million in 2004 and \$14.3 million in 2003. The cash impact of financing activities in 2002 was negligible. Net cash provided by our financing activities in the first half of 2005 consisted primarily of the proceeds from employee exercises of incentive stock options. Net cash provided by our financing activities in 2004 consisted primarily of proceeds of \$9.9 million from the issuance of a series of convertible preferred stock, approximately \$300,000 from exercises of common stock options and approximately \$300,000 from the issuance of restricted stock, offset by \$1.3 million for repayment of borrowings under our working capital line of credit. Net cash provided by our financing activities in 2003 consisted primarily of proceeds of \$12.9 million from the issuance of a series of convertible preferred stock and \$1.3 million of borrowings under our working capital line of credit.

The majority of our long-lived assets for the years ended December 31, 2002, 2003 and 2004 are located in the United States. However, beginning in 2002, we invested a significant amount in production tooling for the manufacture of the Roomba product line in China.

Working Capital Facility

On May 26, 2005, we obtained a working capital line of credit with a bank under which we can borrow up to \$20.0 million, including a \$2.0 million sub-limit for equipment financing. Interest accrues at a variable rate based on prime or published LIBOR rates. The line expires on May 26, 2007 at which time all advances will be immediately due and payable. As of July 2, 2005, we had no amounts outstanding and \$20.0 million available under our working capital line of credit. Borrowings are secured by substantially all of our assets other than our intellectual property. Under the terms of this credit facility, we are required to comply with certain financial covenants. At July 2, 2005, we were in compliance with all financial covenants. To the extent

we are unable to satisfy those covenants in the future, we will need to obtain waivers to avoid being in default of the terms of this credit facility. If a default occurs, the bank may require that we repay all amounts then outstanding. After this offering, we expect that we will have sufficient resources to fund any amounts which may become due under this credit facility as a result of a default by us or otherwise. Any amounts which we may be required to repay prior to a scheduled repayment date, however, would reduce funds that we could otherwise allocate to other opportunities that we consider desirable.

Working Capital and Capital Expenditure Needs

We believe our existing cash, cash equivalents, cash provided by operating activities, funds available through our working capital line of credit and the net proceeds from this offering will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. 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. To the extent that existing cash, cash equivalents, 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. Although we are currently not a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of, businesses, services or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Contractual Obligations

We generally do not enter into binding purchase commitments. Our principal commitments consist of obligations under our lines of credit and leases for office space. The following table describes our commitments to settle contractual obligations in cash as of December 31, 2004:

	Payments Due by Period			Total
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	
Operating leases	\$ 929	\$ 1,519	\$ 766	\$ 3,214

As of July 2, 2005, our total contractual obligations had increased by \$1.5 million from December 31, 2004, due to additional commitments made for leased office space at our Burlington, Massachusetts location.

Off-Balance Sheet Arrangements

As of July 2, 2005, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of the Securities and Exchange Commission's Regulation S-K.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R, which requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statement of operations. The accounting provisions of SFAS No. 123R are effective for fiscal years beginning after June 15, 2005. We will be required to adopt SFAS No. 123R for our fiscal quarter beginning January 1, 2006. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. We have not yet determined whether the adoption of SFAS No. 123R will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123. We are evaluating the requirements under SFAS No. 123R and expect the adoption to have a significant adverse impact on our consolidated operating results.

Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk

Nearly all of our revenue is derived from transactions denominated in U.S. dollars, even though we maintain sales and business operations in foreign countries. As such, we have exposure to adverse changes in exchange rates associated with operating expenses of our foreign operations, but we believe this exposure to be immaterial.

Interest Rate Sensitivity

We had unrestricted cash, cash equivalents and restricted cash totaling \$15.1 million at July 2, 2005. 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 principal amount of the investment to fluctuate. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including 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 July 2, 2005, all of our investments were held in money market accounts.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we must pay on our outstanding debt instruments, primarily certain borrowings under our bank line of credit. The advances under this line of credit bear a variable rate of interest determined as a function of the prime rate or the published LIBOR rate at the time of the borrowing. At July 2, 2005, there were no amounts outstanding under our working capital line of credit.

Overview

iRobot is a leading global provider of robots that enable people to complete complex tasks in a better way. For over 15 years, we have developed proprietary technology incorporating advanced concepts in navigation, mobility, manipulation and artificial intelligence to build industry-leading robots. Our Roomba floor vacuuming robot and recently announced Scooba floor washing robot perform time-consuming domestic chores, and our PackBot tactical military robots perform battlefield reconnaissance and bomb disposal. In addition, we are developing the Small Unmanned Ground Vehicle reconnaissance robot for the U.S. Army's transformational Future Combat Systems program and, in conjunction with Deere & Company, the R-Gator unmanned ground vehicle. We sell our robots to consumers through a variety of distribution channels, including over 7,000 retail locations and our on-line store, and to the U.S. military and other government agencies worldwide.

Since our founding by roboticists who performed research at the Massachusetts Institute of Technology, we have accumulated expertise in all 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. For example, our proprietary AWARE Robot Intelligence Systems enable the behavioral control of robots. Our AWARE systems allow our Roomba floor vacuuming robot to clean an entire floor while avoiding obstacles and not falling down stairs, and also allow our PackBot robots and the R-Gator unmanned ground vehicle to accomplish complex missions such as waypoint navigation and real-time obstacle avoidance.

Our significant expertise in robot design and engineering, combined with our management team's experience in military and consumer markets, positions us to capitalize on the expected growth in the market for robot-based products. We believe that the sophisticated technologies in our existing consumer and military applications are adaptable to a broad array of markets such as law enforcement, homeland security, commercial cleaning, elderly care, oil services, home automation, landscaping, agriculture and construction. Our strategy is to maintain a leadership position in pursuing new applications for robot solutions by leveraging our ability to innovate, to bring new products to market quickly, to reduce costs through design and outsourcing capabilities, and to commercialize the results of our research, much of which is government funded.

Over the past three years, we sold more than 1.2 million of our Roomba floor vacuuming robots. We also sold to the U.S. military during that time more than 200 of our PackBot tactical military robots, most of which have been deployed on missions in Afghanistan and Iraq.

Market Opportunity

Throughout history, people have looked for better ways to improve productivity and quality of life. Whether it has been the invention and use of simple, hand-held tools or complex machines, the goal has been the same: complete tasks more effectively, more efficiently, more safely and less expensively. Over the past two centuries, we have seen dramatic quality of life improvements in many areas, including agriculture, transportation and communication, from the invention and use of new tools and machines.

While tools and machines typically improve productivity and efficiency, many jobs still involve repetitive tasks, put people in harm's way, or require significant physical exertion. Over the past several decades, the desire to continue to improve productivity and quality of life has led to the development of robots. Robots perform a variety of complex or repetitive tasks on command or by being programmed in advance. Unlike simple tools or machines, robots are designed to more fundamentally improve the effectiveness, efficiency, safety and ease with which tasks are completed. Early robots, designed to repeat actions in specific, known environments, have been and continue to be deployed successfully in environments automating repetitive tasks, such as on assembly lines and in manufacturing plants. While these first-generation robots created significant improvements in productivity, they are limited in their ability to operate in unknown or changing

environments. As a result, these robots are not suited for a vast majority of the daily tasks that people undertake. This unmet need creates a significant market opportunity for new technologies to perform such tasks.

Two decades ago, scientists began researching how to design and manufacture robots that could complete a wider range of tasks. In the 1980s, our co-founder and chief technology officer, Dr. Rodney Brooks, and his team at MIT began to develop a new generation of robots. Dr. Brooks noticed that insects, although possessing severely limited computation abilities, effectively deal with their environment. Using these observations as a starting point, Dr. Brooks began to develop behavior-based, artificially-intelligent robots. In contrast to first-generation robots used in manufacturing environments, behavior-based robots are designed to complete missions, not repetitive tasks, in complex and dynamic, real-world environments.

Behavior-based robots have a much wider range of applications than first-generation robots. For example, behavior-based robots can perform a wide range of domestic chores for consumers, which require the ability to complete missions in dynamic and changing environments. Initial consumer applications for robots have included floor vacuuming and floor washing. In addition, behavior-based robots are capable of being designed to complete other domestic chores, including bathtub and toilet cleaning, as well as outdoor home maintenance, such as lawn mowing and window washing.

The need for robots in consumer applications has increased in parallel with the evolution of robot technology. We believe that the demand for robots that can complete domestic chores is developing rapidly due to demographic trends including the aging population, increasing prevalence of dual-income households, declining birth rates and ongoing reduction in people's "free" time. According to the 2004 United Nations Economic Commission for Europe in cooperation with the International Federation of Robotics, there will be approximately \$2.6 billion spent worldwide on household robots from 2004 through 2007. In 2001, the Japan Robotics Association estimated that the worldwide market for home robots will be ¥1.5 trillion—approximately \$12.3 billion—in 2010. In 2004, Future Horizons estimated that the total worldwide robotic market will be \$59.3 billion in 2010. While the market for behavior-based robots is in its early stages, the potential opportunity for robots in specific market segments can be measured by reference to sales of traditional products in these segments. For example, according to the Freedomia Group, over 25 million vacuums were sold in the United States in 2003, resulting in a market size of \$3.4 billion. Today, our floor vacuuming robots represent less than 1% of total vacuums in U.S. households. Other market segments, such as wet floor cleaning and lawn mowing, represent global, multi-billion dollar markets.

The worldwide need for security and the transformation of the military are driving the market opportunity in the defense and government sector for automated and unmanned systems. The growth of the market for robots geared to the defense sector is driven by an expanding field of use for such robots as well as a heightened focus on initiatives to minimize military personnel loss and reduce cost, while increasing mobility and deployment rapidity. The current use of robots for reconnaissance and bomb disposal is expanding to also include surveillance, supply chain logistics and attack functions. The shift to less traditional warfare, demographic trends resulting in the decline of the pool of available military personnel, the increasing cost of military personnel (reported to be a median lifetime cost of \$4 million per soldier) and the political ramifications of personnel casualties are driving the military to develop alternatives to its human-capital resources. Warfare modernization directives incorporate the use of robots in accordance with the National Defense Authorization Act of 2001, which stated that it "shall be a goal of the Armed Forces to achieve the fielding of unmanned, remotely controlled technology such that...by 2015, one-third of the operational ground combat vehicles of the Armed Forces are unmanned." Regardless of the implementation of specific government programs, a common characteristic underlying military upgrade plans appears to be a greater reliance on automation and unmanned systems.

Military robot development efforts have been significantly enhanced by extensive collaboration among the Department of Defense agencies. This collaboration was formalized by the Joint Robotics Program implemented by the United States Congress in 1989 to establish and pursue improvements in robot operational capabilities. Today, the military services have recognized a critical war-fighting role for robots as unmanned ground systems, as well as for reconnaissance, surveillance and explosive ordnance device

remediation. Future military transformation plans such as the U.S. Army's Future Combat Systems, or FCS, program as well as current operations in the global war on terrorism, have featured robots prominently to increase mission effectiveness. In 2005, the Government Accountability Office (GAO) stated that FCS program costs to develop and purchase the first increment, which would equip about one-third of the active Army's combat brigades, could exceed \$108 billion. In addition to other systems, the FCS program is intended to include three classes of Unmanned Ground Vehicles, or UGVs: the Armed Robotic Vehicle, or ARV, Multifunctional Utility/ Logistics and Equipment Vehicle, or MULE, and the Small Unmanned Ground Vehicle, or SUGV. Ultimately, the FCS program indicates that production of as many as three increments of 1,245 SUGV units each over the next decade is anticipated.

Behavior-based robots also have the potential to be extremely effective in areas of homeland security, such as potential use by emergency first responders, and local law enforcement, as well as in perimeter and infrastructure security. Furthermore, in the industrial sector, behavior-based robots can be used to complete a wide range of missions, including cleaning, equipment maintenance, data acquisition, exploration and discovery, inspection, construction demolition, and delivery.

Historical attempts to develop economical, behavior-based robots have had limited success due to, among other things, the inherent complexities in integrating the mechanical, electrical, sensor, power and software systems, and artificial intelligence necessary to create true functionality. Consequently, initial attempts to develop behavior-based robots for the consumer, government, defense and industrial markets have typically resulted in expensive and fragile robots, which cannot complete their missions effectively or efficiently. To be successful in their missions and valued by their intended consumer, government or industrial customers, robots must be high-performance, durable and cost-effective, as well as easy-to-use.

The iRobot Solution

We sell robots that are designed to help people complete complex tasks in a better way. The key benefits of the iRobot solution are:

Better Results. Our robots help perform dull, dirty or dangerous missions with better results. Our Roomba floor vacuuming robot cleans under beds and other furniture, resulting in significantly cleaner floors because it can access more of the floor than standard upright vacuum cleaners. Our recently announced Scooba floor washing robot is designed to clean floors more effectively than mopping because it sweeps, washes and dries in a single pass and stores clean and dirty water separately, rather than recycling dirty water during the cleaning process. Our PackBot tactical military robot is credited with saving the lives of U.S. service personnel in Afghanistan and Iraq by performing dangerous military missions that would otherwise have been performed by soldiers.

Easy-to-Use. Our robots encompass advanced technology and a user-friendly design that make them easy to set up, operate and maintain. Our Roomba robots work at the touch of a single button, appealing to consumers' intuition and requiring extremely limited set-up and learning time. Our Roomba Scheduler automatically turns itself on to clean on a schedule and returns to its home base to recharge. Our PackBot robots, while entailing greater user interaction, require only a few hours of training for their users.

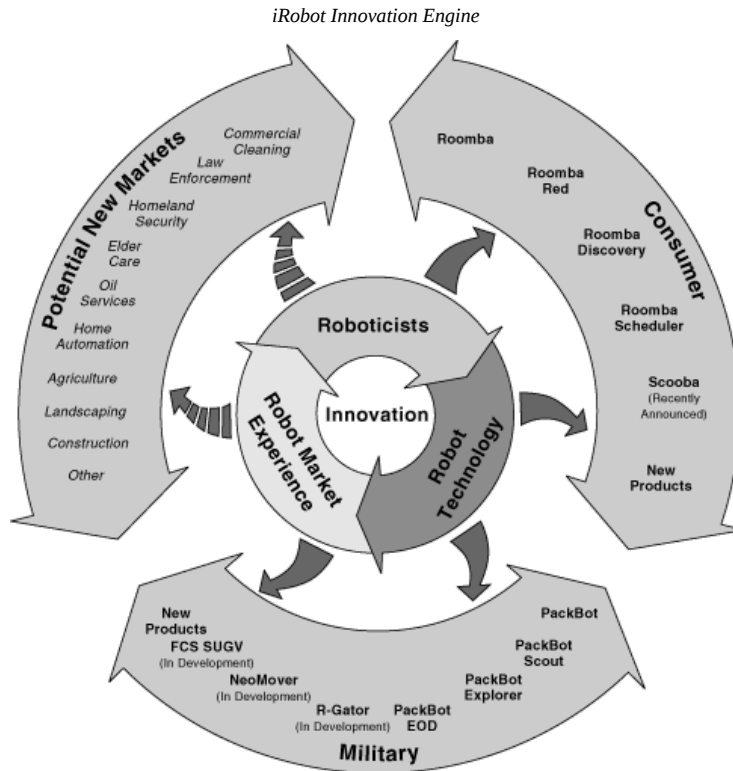
Cost-Effective. We believe our robots deliver high value for their cost. By leveraging existing technology building blocks, we are able to cut down our product development costs and provide robots at significantly lower cost than competitors. Our PackBot robots cost relatively little when compared to the value of saving the lives of armed forces personnel. Our Roomba floor vacuuming robots reduce the time spent by customers to clean rooms quickly and effectively. Our Roomba robots are priced competitively with traditional vacuum cleaners, but require practically no operator time, thereby enhancing productivity for the consumer.

Safe and Durable. Safety and durability are key design objectives of all our products. For example, our PackBot robots have been developed with a patented, safe-firing circuit designed to prevent accidental discharge or detonation. To complete missions in challenging environments, PackBot's sturdy design allows it to withstand 400g's, or a ten-foot drop onto concrete. Our Roomba robots have a triple-redundant system to

prevent them from falling down stairs and undergo severe quality control tests that include compression and drop tests.

iRobot Innovation Engine

Innovation is at the core of our company. Our innovation engine, comprised of our robot technology, roboticists and robot market experience, enables us to design and introduce new products rapidly in a wide range of markets. Since 2002, we have introduced more than twelve new products and product enhancements.



Robot Technology. We design behavior-based robots. Our proprietary AWARE Robot Intelligence Systems are code bases that implement the behavioral control of robots. Our robots rely on the interplay between behavior-based, artificially intelligent systems, real-world dynamic sensors, friendly user interfaces and tightly-integrated electromechanical designs. Combining these four components, we have created proprietary reusable building blocks of robotics capabilities that encompass mobility, navigation, manipulation, payload and user control. These technology building blocks are reusable and are leveraged in each product development project. The design and development of robots require not only strong competencies in each of the underlying technologies but also an ability to combine different systems into a seamless product that works. iRobot has built strong system integration capabilities.

Roboticians. With a strong engineering team of more than 100 roboticists, we are an industry leader in the development of robot technology. Our people have a wealth of experience in key technologies such as artificial intelligence principles, sensory devices, electrical and mechanical systems, and user interfaces. Our roboticists have prior experience designing robots to explore Mars and the sea under the Arctic ice caps, unmanned air vehicles like the Fire Scout, and successful consumer products like Lego Mindstorms and the Furby. While at iRobot, our roboticists have accumulated experience designing underwater vehicles, interactive toys and robots for telepresence, wellbore maintenance and exploration of the Great Pyramid.

Robot Market Experience. The market for behavior-based robots is still relatively new and requires more than technology expertise or a large engineering team to be successful. In addition, success requires understanding of the nuances of the market: how people interact with robots, what concerns people about robots and how best to market robots to specific end markets. Our experience as a pioneer in the robot market provides us with competencies on how to design, develop and market robots people need, will buy and will use.

Strategy

Our objective is to rapidly invent, design, market and support innovative robots that will expand our leadership globally in our existing markets and newly addressable markets. Key elements of our strategy to achieve this objective include:

Deliver Great Products and Continue to Expand Our Existing Markets. Our success is built upon our ability to deliver innovative products rapidly at economical price points and to offer a broad product line to our customers. We continuously receive and circulate customer feedback on the performance of our products to our engineers and product managers, allowing them to incorporate modifications and expand and develop new product lines to better meet our customers' needs. Our strategy of offering a broad range of products at multiple price points allows us to grow with our existing customers, to attract new customers worldwide and to supply our customers with robots with increased capabilities. Within the consumer market today we offer floor cleaning products for various surfaces at multiple price points, as well as a number of product accessories. We are extending our consumer products offerings to include Scooba, our recently announced floor washing robot that sweeps, washes, scrubs and dries hard floors automatically. We are extending our military robot offerings from small, unmanned ground vehicles (such as our PackBot line of robots) to full-scale autonomous vehicles such as R-Gator.

Innovate to Penetrate New Markets. Our goal is to develop innovative robots to perform dull, dirty or dangerous missions. We are able to develop robots with functionalities that are adaptable for use in a broad range of applications. Over our history, we have developed robots for several different markets. We intend to target new markets, such as law enforcement, homeland security, commercial cleaning, elderly care, oil services, home automation, landscaping, agriculture and construction, where robots can create high value and can provide a better way to complete complex tasks. We believe that our experience in penetrating new market segments and our culture of innovation provide us with a competitive advantage.

Complement Core Competencies with Strategic Alliances. Our core competencies are the design, development and marketing of robots. We rely on strategic alliances to provide complementary competencies that we integrate into our products and to enhance market access. For example, our alliance with The Clorox Company, through which Clorox manufactures cleaning fluid, allows us to integrate world-class cleaning technology and know-how into our recently announced floor washing robot, Scooba. Our alliance with Deere & Company allows us to integrate our robot controls, navigation and obstacle avoidance systems with rugged vehicles manufactured by Deere & Company. Where appropriate, we may acquire companies, products and technologies to strengthen our ability to compete in existing markets or to establish initial footholds in new markets. We outsource other non-core activities, such as manufacturing and back-office functions, which helps us focus our resources on our core competencies.

Leverage Research and Development Across Different Products and Markets. We leverage our research and development across all our products and markets. For example, we use technological expertise developed through government-funded research and development projects across our other product development efforts. While the U.S. government retains certain rights in the research projects that it has funded, we retain

ownership of patents and know-how and are generally free to develop other commercial products, including consumer and industrial products, utilizing the technologies developed during these projects. Similarly, expertise developed while designing consumer products is used in designing products for government and industrial applications. This strategy helps us in avoiding the need to start each robot project from scratch, developing robots in a cost-effective manner and minimizing time to market.

Develop an Ecosystem Around Our Platforms. We have developed products around which third-party communities can create related accessories, software and complementary products. We intend to foster this ecosystem by making our products into extensible platforms with open interfaces designed to carry payloads. For example, our robots are designed to allow third-party designers to add sensors and other functionalities, such as acoustic sniper detection and web-based control. We believe this strategy will allow us to expand the footprint of iRobot while maintaining our market leadership position.

Continue to Strengthen Our Brand. We will continue to enhance our brand image and corporate identity. The iRobot brand is designed to communicate innovation, reliability, safety and value. Our robots' performance and uniqueness have enabled us to obtain strong word-of-mouth and extensive press coverage leading to increasing brand awareness, brand personality and momentum. We intend to invest in increasing brand awareness through progressive marketing communication strategies, in-store training and presentations and mass media outreach. In addition, we will emphasize public relations campaigns. We will continue to invest in our brand to increase awareness and reinforce our message of innovation, reliability, safety and value.

Continue to Reinvest Aggressively in Our Business and Our People. We believe the best path to maximizing long-term profit is to reinvest aggressively in our business and our people over the next several years. We plan to reinvest in research and development and sales distribution channels to extend and expand our market. We will also continue to hire top talent from top schools and invest in our people through training and on-the-job experience. We believe this aggressive reinvestment in our business and our people will help us maintain our market leadership.

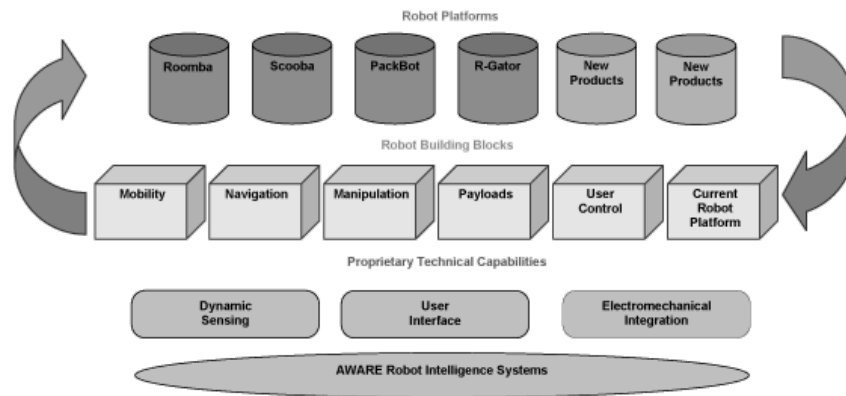
Technology

We are focused on behavior-based, artificially-intelligent systems developed to meet customer requirements in multiple market segments. In contrast to robotic manufacturing equipment or entertainment systems that are designed to repeat actions in specific, known environments, our systems are designed to complete missions in complex and dynamic real-world environments.

Behavior-based robotics has its roots in the groundbreaking work our co-founder and chief technology officer, Dr. Rodney Brooks, performed at MIT during the 1980s. At the time it was believed that any intelligent robot would need a complete representational world model, and that the essence of generating intelligent behavior was explicit symbolic reasoning about expected effects of actions on that internal model. Dr. Brooks observed that insects, although possessing very small brains with severely limited computational abilities, deal effectively with their environment. Dr. Brooks noticed the contrast between insects and the then accepted approach to building artificially intelligent systems. Dr. Brooks developed the subsumption architecture— now commonly referred to as the behavior-based approach to artificial intelligence— modeled on the constraints implied by the limitations on the nervous systems of insects, the ethological observations of animal behavior, and even the developmental trajectories of human babies.

Robots utilizing this behavior-based approach use a layered architecture, where the lowest level modules generate behaviors based on directly sensing the environment to maintain the integrity of the mission. On top of these layers, and in parallel, additional perceptual modules interpret sensory data in ways directly relevant for the mission and produce specific behavior elements. The overall behavior of these robots emerges from the inherently non-linear interactions of the robot with its environment and the interactions of the behavior generating modules. Robot software systems built under this architecture are inherently upgradeable. When new capabilities are desired for the robot, or when additional sensors or actuators are added, new software modules are added to the existing software base. The new behaviors only become active in an appropriate context. When they are active, they momentarily suppress more primitive behaviors that the robot will continue to use as a default case.

This architecture forms the foundation for how we design our robots. For example, when our engineers design a behavior-based cleaning robot, bottom-layer behaviors such as “avoid-collision” are the most basic and are given the highest priority. Top-layer behaviors such as “clean floor” encapsulate high-level-intention and are built from lower behaviors or function only when lower behaviors such as “avoid collision” or “recharge battery” are satisfied. To reduce complexity, each layer functions simultaneously but asynchronously with no dependence on the others. This independence reduces interference between behaviors and prevents over-complexity, allowing behaviors to sequence and re-sequence dynamically according to unforeseen problems. In other words, we can deliver robots that accomplish real-world tasks without being told exactly how to do them.



Our robots rely on the interplay among behavior-based artificially intelligent systems, real-world dynamic sensors, friendly user interfaces and tightly-integrated, electromechanical designs to efficiently accomplish their missions.

AWARE Robot Intelligence Systems. Our proprietary AWARE Robot Intelligence Systems are code bases that enable the behavioral control of robots. Moreover, the AWARE Systems include modules that control behaviors, sensor fusion, power management and communication. Our AWARE systems allow our Roomba floor vacuuming robot to clean an entire floor while avoiding obstacles and not falling down stairs, and also allow our PackBot robots and the R-Gator unmanned ground vehicle to accomplish complex missions such as waypoint navigation and real-time obstacle avoidance.

Real-World, Dynamic Sensing. The degree of intelligence that our robots display is directly attributable to their ability to perceive—or sense—the world around them. Using specialized hardware and signal processing, iRobot has developed sensors that fit particular cost-performance criteria. In other cases, we use off-the-shelf sensing hardware, such as laser scanners, cameras and optical sensors.

User-Friendly Interfaces. Our robots require that users interact and instruct our robots in intuitive ways without extensive end-user set-up, installation, training or instruction. For example, our Roomba Discovery robot requires only one button to have the robot begin its mission, determine the size of the room to be cleaned, thoroughly clean the room and return to its re-charger, right out of the box without any pre-programmed knowledge of the user’s home. Similarly, our PackBot robots use intuitive controllers, interoperable between systems, which integrate high-level supervisory commands from the user into the behaviors of the robot. For example, a soldier may use a familiar joystick interface to instruct the robot where to move, while the robot continues to run lower-level obstacle avoidance, motor thermal management, fiber-optic cable management, and safety behaviors to ensure the completion of the mission.

Tightly-Integrated, Electromechanical Design. Our products rely on our ability to build inherently robust integrated electrical and mechanical components into required form factors. For instance, the computer

that powers the PackBot tactical mobile robot must withstand being dropped from more than ten feet onto concrete. Such high performance specifications require tight design integration.

Combining these four components, we have created proprietary reusable building blocks of robotics capabilities that include:

Mobility. Our consumer products have an affordable mechanical platform that can navigate around floor spaces. Our government and industrial products have a rugged mechanical platform that can climb stairs and right itself using its articulated flipper.

Navigation. Our platforms enable our consumer robots to navigate autonomously around rooms following walls, detecting cliffs, searching for their base stations and docking themselves, and enable our military robots to circumnavigate buildings autonomously by climbing curbs and avoiding obstacles. Our navigation capabilities rely on technologies such as infrared ranging, infrared beacon, three-dimensional laser ranging, scanning sonar ranging and vision systems.

Manipulation. Our manipulators are designed to be modular and scalable. Our PackBot OmniReach Manipulator System is a six-foot dexterous arm with no external cabling. We have developed a prototype of the PackBot EOD that has a larger arm for more payload and reach, called NEOReach.

Payloads. Our PackBot Scout reconnaissance sensing payload includes cameras and illumination. The PackBot Explorer head includes a reconnaissance payload, audio and night vision plus a pan-tilt-lift capability. Capabilities being added to these payloads by third parties include acoustic sensing and multispectral imagers.

User Control. Our robot control protocol allows a common user interface to operate our military robots, such as our PackBot robot, as well as the R-Gator unmanned ground vehicle. Our household products have an easy push button interface with a common remote control protocol for both our Roomba and Scooba robots.

Swarm. Swarm technology represents collaborative algorithms that dictate the group behavior of large numbers of autonomous robots. Our algorithms are designed to be completely scalable and to function with groups of ten or groups of ten thousand. We believe that our development platform is one of the world's largest swarms, with over 100 individual robots.

Our technology building blocks typically allow us to take a known platform and modify it for a new mission instead of starting from scratch for each application. This allows us to design and develop innovative robots rapidly and cost-effectively.

Products and Contracts

We design and sell robots for the consumer and government and industrial markets.

Consumer Products

We sell various products that are designed for use in the home, with our current products focused on floor cleaning tasks. Our consumer products provide value to our customers by producing better cleaning results at an affordable price and by freeing people from repetitive home cleaning tasks.

iRobot Roomba. Since its introduction in late 2002, more than 1.2 million Roomba floor vacuuming robots have been sold to consumers. We currently offer five Roomba models that comprise our second generation floor vacuuming robots with varying price points and performance characteristics.

Our Roomba robot's compact disc shape allows it to clean under beds and other furniture, resulting in significantly cleaner floors since the Roomba can access more of the floor than standard upright vacuum cleaners. Roomba is programmed to keep operating until the floor is truly clean. In addition, Roomba eliminates the need to push a vacuum—it cleans automatically upon the push of a button.

All of our current Roomba floor vacuuming robots include the following features:

- the ability to sense a “cliff” or drop-off point and to react by reversing course automatically;
- a non-marring bumper to clean up to obstacles without damaging furniture or walls;
- a wide cleaning path to clean an entire room on a single battery charge;
- an edging brush to clean along surface edges;
- dirt-sensing, which allows the Roomba robot to detect dirtier areas in the home and respond by increasing and extending the intensity of its cleaning efforts in that concentrated space; and
- improved cleaning and maintenance operations, enhancing the user friendliness of the Roomba robot.

Our flagship Roomba Discovery robot also features automatic self-docking, which enables the robot to return to its home base for battery recharging when its battery runs low or it has cleaned the room, and an advanced power system that charges faster and runs longer than many other vacuums. Roomba Discovery can clean, on average, three rooms on a single charge.

The suggested retail price for Roomba Discovery was initially \$249 per unit (in 2004) and is currently supporting a suggested retail price of \$279 per unit. The current suggested retail price for our Roomba Red base product is \$149 per unit.

We have recently introduced the iRobot Roomba Scheduler—a floor vacuuming robot that cleans a room automatically on a user-determined schedule. The Scheduler robot is expected to be available in retail outlets sometime during the third quarter of 2005 at a suggested retail price of \$329 per unit.

We also offer a Scheduler accessory kit which allows owners of the Roomba Discovery and Roomba Red to upgrade their robot to achieve scheduling capability. In addition to the Scheduler upgrade kit, we offer other accessories that allow users to upgrade and maintain their Roomba, including virtual wall sensing devices that direct Roomba to clean specific areas, batteries and chargers, filters and brushes, and wall mounts. We plan to continue to develop significant upgrades to our Roomba product line.

iRobot Scooba. Scooba, our second major consumer product line, will be the first floor washing robot available for home use. Our Scooba robot utilizes the expertise gained from years of Roomba development to create a robot to replace the task of mopping.

Our Scooba robot’s innovative cleaning process will allow the robot to simultaneously sweep, wash, scrub and dry hard floors, all at the touch of a button. Unlike a conventional mop that spreads dirty water on the floor, Scooba will apply only fresh water and cleaning solution to the floor from a clean tank. Scooba will clean wet spills in addition to dirt and grime, and it is safe for use on all sealed, hard floor surfaces, including wood and tile.

Scooba will have the ability to navigate around the room using a light-touch bumper and will be smart enough to avoid carpets. Scooba will feature the most advanced diagnostic system of any of our consumer robots to provide the user with important maintenance feedback and improve user experience and product life.

With The Clorox Company, we have developed a specially-engineered cleaning solution for use with the Scooba floor washing robot. We began a collaboration with The Clorox Company, a leader in home cleaning, in 2004 to create a cleaning solution that, when combined with the Scooba, would clean all hard floor surfaces and assist in the mobility of the robot.

Final engineering design work is expected to be completed on the Scooba during the summer of 2005. We expect to have a limited number of Scooba floor washing robots available in time for the 2005 holiday season, most likely through direct sales to consumers, and plan a larger distribution for the first quarter of 2006. We will jointly market this specially-engineered cleaning solution with The Clorox Company. We expect that the suggested retail price of our Scooba robot will be approximately \$399 per robot and sold through similar customer channels as those that currently exist for our Roomba robots.

Government and Industrial Products

Our current government and industrial product offerings extend from our PackBot line of small, unmanned ground robots to the prototype R-Gator full-scale, autonomous vehicle. Our government and industrial robots are designed for high-performance, durability and ease of use. Our PackBot family of robots are based on a common platform and are currently priced from approximately \$50,000 to \$115,000 per unit.

iRobot PackBot Scout. PackBot Scout is a portable, tactical, mobile robot designed for military operations in urban terrain and other 21st century battle missions. This lightweight, rugged robot can be hand-carried and deployed by a single soldier. Already deployed in Afghanistan and Iraq, PackBot Scout is designed to search dangerous or inaccessible areas, providing soldiers with a safe first look so they know what to expect and how to respond. Less than 20 centimeters high and only 18 kilograms fully loaded, PackBot Scout offers five open payload bays for maximum upgrade potential. Rated at more than 400g's, the PackBot Scout is our most rugged PackBot configuration.

iRobot PackBot Explorer. PackBot Explorer is designed for performing real-time targeting and battle damage assessment in dangerous or denied areas or other urban warfare scenarios. PackBot Explorer can enter the danger zone before responders are exposed to risk and function as the incident commander's remote information gatherer. PackBot Explorer can help assess the situation, ensure the appropriate response, and reduce risk.

iRobot PackBot EOD. PackBot EOD is a rugged, lightweight robot designed to conduct explosive ordnance disposal, hazardous materials, search-and-surveillance and other vital law enforcement tasks for bomb squads, SWAT teams, military units and other authorities. PackBot EOD can handle a full range of improvised explosive device and conventional ordnance disposal challenges. Our PackBot EOD robot's lightweight and rugged OmniReach Manipulator System can extend up to six feet to safely disrupt improvised explosive devices, military ordnance, land mines and other incendiary devices.

R-Gator: Autonomous Unmanned Ground Vehicle. The R-Gator prototype is built on the well-established rugged Deere & Company M-Gator military utility vehicle platform and enhanced with iRobot robotic controls, navigation and obstacle avoidance systems. The R-Gator is designed to serve numerous important roles, acting as unmanned scout, "point man," perimeter guard, as well as pack/ ammunition/ supply carrier for soldiers. In conjunction with Deere & Company, we are currently in the process of producing a limited number of R-Gator prototypes some of which will be used for evaluation by a number of potential government customers. The net proceeds of R-Gator sales will be shared between us and Deere & Company. While early editions of these units will be targeted exclusively for military use, there are many potential industrial applications for the technology derived from the R-Gator program, including potential applications in agriculture, perimeter patrol, above-ground pipeline security and logistics.

Contract Research and Development Projects

We are involved in several contract development projects with various U.S. governmental agencies and departments. The duration of these projects range from a few months to several years. These projects are usually funded as either cost-plus arrangements or time and materials contracts. Government funding is provided to encourage the development of robot technologies to solve various in-field challenges and with the expectation that if the projects result in the development of technically viable prototypes, then the government will purchase multiple production units for future use in the field. The government funding that we receive allows iRobot to accelerate the development of multiple technologies. While the U.S. government retains certain rights to military projects that it has funded, we retain ownership of patents and know-how and are generally free to develop other commercial products, including consumer and industrial products, utilizing the technologies developed during these projects. The rights which the government retains, however, may allow it to provide use of patent rights and know-how to others, and some of the know-how might be used by these third parties for their own development of consumer and industrial products. The contract development projects that we are currently undertaking include:

Small Unmanned Ground Vehicle (SUGV). FCS is a major program to transform the U.S. Army to be strategically responsive and dominant at every point on the spectrum of operations, through real-time network centric communications and systems of a family of manned vehicles and unmanned platforms by the next decade. The FCS program combines advanced technologies, organizations, people and processes with concepts to create new sources of military power that are more responsive, deployable, agile, versatile, lethal, survivable and sustainable. The FCS system of systems is designed to provide increased strategic responsiveness, adaptive modular organizations, and units of action with three to seven days of self-sustainment.

Our specific role in the FCS program is to design and develop the SUGV, which will be the “soldier’s robot.” The SUGV is expected to be a light-weight, man-portable robot that will support reconnaissance, remote sensing and urban warfare. Our involvement in the FCS program has enabled us to improve various management and control systems and enhance our engineering capabilities to achieve the Software Executive Institute’s Configuration Maturity Model, or CMM, certification. The program has also funded the development of earned value accounting and advanced modeling and simulation.

NEOMover. New Explosive Ordnance Mover, or NEOMover, is a 200-pound gross weight tracked vehicle, capable of transporting a 150-pound payload, with a small footprint and extremely high mobility sponsored by the Technology Support Working Group, or TSWG. The NEOMover design incorporates a number of concepts present in other iRobot remote controlled vehicles and demonstrates many of the advantages that modular payloads and common interfaces can bring to the explosive ordnance disposal community. There are two goals of this effort. The first is to advance the maturity levels of the NEOMover hardware, firmware and software, and to enhance environmental ruggedness to a level suitable for small quantity manufacturing and evaluation of NEOMover platforms in field trials. The second is to maintain a level of architectural openness for future component integration with other TSWG common architecture components to enable continued future development.

Wayfarer. Wayfarer is an applied research project funded by the U.S. Army Tank-automotive and Armaments Command, or TACOM, to develop fully-autonomous urban reconnaissance capabilities for our PackBot robot. On today’s battlefields, urban reconnaissance is vital to the safety and effectiveness of the soldier. Teleoperated robots can extend the soldier’s vision, but their applications are limited by communications range and available bandwidth. Wayfarer is being designed to increase the survival rates and effectiveness of urban soldiers by extending their vision beyond communications range. Wayfarer robots are being designed to perform the following fully-autonomous reconnaissance missions:

- *Route Reconnaissance.* Move ahead of the soldier along a planned route of advance and return maps and video of what lies ahead.
- *Perimeter Reconnaissance.* Traverse the entire perimeter of a building complex and return with maps and video.
- *Street-Based Reconnaissance.* Navigate down city streets using street-following behaviors along with GPS/ INS and return maps and video of the urban terrain. The modular Wayfarer navigation payload connects to the standard PackBot payload interface and includes light detection and ranging, or LIDAR, stereo vision, forward-looking infrared, or FLIR, and inertial navigation system sensor hardware.

Strategic Alliances

Our strategic alliances are an important part of our product development and distribution strategies. We rely on strategic alliances to provide technology, complementary product offerings and increased and quicker access to markets. We seek to form relationships with those entities that can provide best-in-class technology or complementary market advantages for establishing iRobot technology in new market segments.

Among the strategic alliances we have established with commercial entities are the following:

Deere & Company. We have entered into a strategic business agreement with the commercial and consumer equipment division of Deere & Company to explore and potentially collaborate on multiple projects involving technology and product development and commercialization efforts. We have collaborated with Deere & Company on the development of the R-Gator unmanned ground vehicle. Deere & Company has provided funded research and development, access to its M-Gator military utility vehicle platform and certain other technology, and we have provided robot technologies, including our AWARE Robot Intelligence System. We and Deere & Company are currently in the process of producing a limited number of R-Gator prototypes for evaluation by potential government contractors. Net proceeds from sales of the R-Gator will be shared between us and Deere & Company.

To facilitate management of the R-Gator project and additional collaborative activities, we and Deere & Company have established a joint management committee to develop proposals for projects, oversee and report on the progress and fulfillment of projects, and seek opportunities to further the goals of the strategic business relationship through joint demonstration of technology and products at trade shows, industry days and internal management reviews. We believe that our strategic alliance with Deere & Company will lead to technologies, and later products, that are directly applicable to serving markets such as agricultural and construction equipment, in which we believe autonomous vehicles can play a significant role. Under the agreement, we have agreed not to work with any third party on projects competitive with certain Deere & Company products if Deere & Company makes certain minimum annual payments to us.

The Clorox Company. We have entered into a joint development and license agreement with The Clorox Company, whereby Clorox is the exclusive provider of the cleaning solution for the Scooba floor washing robot. Our alliance with The Clorox Company allows us to integrate their cleaning technology and know-how into our floor washing robot, improves consumer perception and awareness of our brand by association and through joint marketing, and provides a necessary product component at an affordable price.

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

Sales and Distribution Channels

We sell our products through distinct sales channels to the consumer and government and industrial markets.

Consumer

We sell our consumer products through a network of over 7,000 retail stores in the United States and directly through the iRobot on-line store on our website. Internationally, our products are sold in over 40 countries, primarily through in-country distributors who resell to retail stores in their respective countries.

We have a philosophy to choose supportive channel partners, and we intend to selectively grow our retail store network geographically and by product line. Certain smaller domestic retail operations are supported by distributors to whom we sell product directly. None of our customers individually comprised more than 10% of total revenues in the year ended December 31, 2004. Our top 15 consumer product customers for the year ended December 31, 2004 were:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Amazon.com • Bed Bath & Beyond • Best Buy • Brookstone • BJ's Wholesale Club • Hammacher Schlemmer • The Home Depot • Home Shopping Network | <ul style="list-style-type: none"> • Kohl's • Linens 'n Things • Mitsui & Co. • M. Block & Sons • Sears • The Sharper Image • Target |
|--|---|

To reach our customers in the most effective way, we will continue to expand our direct-to-consumer offerings through the iRobot on-line store. We have established valuable databases and customer lists that allow us to target directly those consumers most likely to purchase a new robot or upgrade. Our close connection with our customers in each of our markets provides an enhanced position from which to expand our distribution.

In the United States, we maintain an in-house sales and product management team of ten employees. Outside the United States and Canada we sell our consumer products through distributors. Our consumer distribution strategy is intended to increase our global penetration and presence while maintaining high quality standards to ensure end-user satisfaction.

Government and Industrial

We sell our government and industrial products directly to end users and indirectly through prime contractors. While the majority of government and industrial products have been sold to date to various operations within the U.S. federal government, we also sell to state and local government organizations. Our military products are sold overseas in compliance with the International Trafficking in Arms Regulations, or ITAR. We have sold our products to the governments of various countries in the past several years, including France, Germany, Singapore and Sweden.

Customers and sponsors for our government products and contracts include:

Research Support Agencies

- U.S. Defense Advanced Research Projects Agency (DARPA)
- U.S. Space and Warfare Command (SPAWAR)
- U.S. Army Tank-automotive and Armaments Command (TACOM)
- Technology Support Working Group (TSWG)

Military Customers

- U.S. Army
- U.S. Marine Corps
- U.S. Navy

Our government products are sold by a team of seven government sales specialists with over 40 years of cumulative experience in selling to government and defense agencies. All of these individuals have years of experience selling military products to government procurement offices, both in the United States and internationally. We maintain a one-person direct sales and support presence in Europe.

Customer Service and Support

We also emphasize ongoing customer service and support. Consumer customer service representatives, some of whom are in-house and some of whom are outsourced, are extensively trained on the technical intricacies of our consumer products. Government and industrial customer representatives are usually former military personnel who are experienced in logistical and technical support requirements for military operations.

Marketing and Brand

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

Our innovative robots and public relations campaign have generated extensive press coverage. In 2005 alone, we have been featured in over 600 articles in local, national and international media including Newsweek, The New York Times and The Wall Street Journal. iRobot and our robots have also been profiled on a number of broadcast media including the Discovery Channel and CNN. In addition, our products have been parodied on "Saturday Night Live," have appeared as a character on "Arrested Development" and have been shown on "The Gilmore Girls." Our Roomba floor vacuuming robots ranked number seven on Google Inc.'s "Froogle Queries— Top 10 Popular Brand Names in 2004." In addition, iRobot and our robots have won several awards, including Time Magazine's Gadget of the Week, CES Innovations' 2005 "Best Of Product" award, the 2005 Appliance Design Excellence in Design award, the 2005 IEEE and International Federation of Robotics Innovation award and Business Week Online's Best of What's New for 2004. Our inclusion as one of 15 prime contractors on the FCS program has greatly enhanced our brand and awareness among government and industrial customers. Through these efforts, we have been able to build our brand at minimal cost to us and we expect that our reputation for innovative products and word-of-mouth support will continue to play a significant role in our growth and success.

Our sales and marketing expenses represented 17.2% of our revenue from product sales in 2004. In addition to building our brand through customer satisfaction and public relations, iRobot has been able to become a leading brand in the categories in which we compete. We believe there is value in this leadership position as it helps create a self-supporting, virtuous cycle. Our customer demand enhances our pricing power, which leads to additional funds to invest in research and development and promotion. This, in turn, enables our products to meet or exceed customer expectations and reinforces our brand leadership position. We expect to continue our investment in national advertising, consumer and trade shows, direct marketing and public relations to further build brand awareness. We believe that our significant in-house experience designing direct campaigns and promotional materials and with media targeting is a significant competitive advantage.

Our website is also playing an increasing role in supporting brand awareness, answering customer questions and serving as a powerful showcase for our products. Our consumer robots and accessories are sold through our site. Our site includes information on how to contact retail channels in the United States and links to various sites where customers can directly purchase our products.

Manufacturing

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

Using our engineering team of over 100 roboticists, we can rapidly prototype design concepts and products to achieve optimal value, produce products at lower cost points and optimize our designs for manufacturing requirements, size and functionality.

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

Since 2002, we have outsourced the manufacturing of our consumer products to one contract manufacturer, Jetta Company Limited at a single plant in China. Jetta Company Limited has been manufacturing products since 1977 and brings substantial experience to our production requirements. Jetta Company Limited has several manufacturing locations and has recently expanded one of its facilities to increase capacity for the production of our Roomba robots. Combined with our own engineering operation in Hong Kong, this allows us to design our products in the United States, use our own engineers in Hong Kong as the technical interface with the facilities in China, and benefit from the experience of Jetta Company Limited and its engineers.

Our government and industrial products are manufactured by Gem City Engineering Corporation at one plant in Dayton, Ohio. Gem City Engineering Corporation's location is particularly important as military products supplied to the U.S. government must have the majority of their content manufactured in the United States. Gem City Engineering Corporation has multiple facilities and relies on other subcontractors for certain component manufacturing capabilities. Gem City Engineering Corporation has been in the business of manufacturing primarily metal-tooled products since 1936, and has produced numerous products for military contractors. Their engineers are skilled in the production of products meeting military specifications, preparing final products for military inspection and conducting quality reviews.

Research and Development

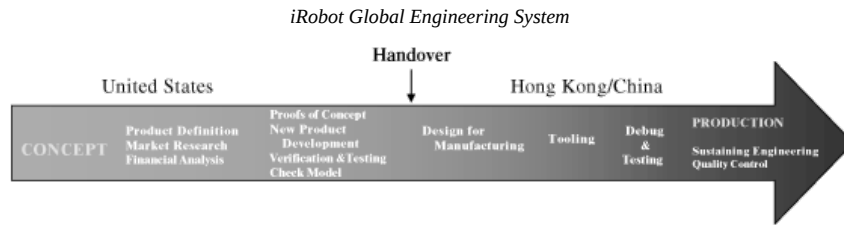
We believe that our future success depends upon our ability to continue to develop new products and product accessories, and enhancements to and applications for our existing products. We intend to continue to invest in research and development to respond to and anticipate customer needs. We expect to introduce multiple new products over the next several years that will continue to address our existing market sectors.

Team Organization

Our research and development is conducted by small teams of individuals dedicated to particular projects. Current research and development teams include the Roomba team, Scooba team, Wayfarer team, NEOMover team and PackBot team. Teams are typically comprised of less than ten employees including one team leader and electrical, software and mechanical engineers. In connection with our FCS SUGV program involving more than 40 employees, we have instituted a formal integrated product team structure consisting in System of Systems, Integrated Logistical Support, Program Operations and Business Operations teams to work together to deliver a platform that integrates with the FCS system of systems.

Global Engineering

Our research and development efforts are primarily located at our headquarters in Burlington, Massachusetts, and our special projects' engineering office in San Luis Obispo, California. In addition, we have a product development team working in Hong Kong. Our global engineering system allows us to leverage the time difference between our United States operations and our outsourced facilities in China resulting in a fast, low cost global design and manufacturing cycle. The first stage of the cycle takes place in our Burlington, Massachusetts office where we focus on product definition, prototyping, market research and financial analysis. We then create a design for manufacturing competency, model and simulate the product, and finally conduct regression testing. After we develop the prototypes, we transfer them to Hong Kong for the production stage of the cycle. During the production stage, engineers on two continents work around the clock on refining the designs.



Spiral Development

One of the methods we use to develop military products is a “spiral development” process to get field tested equipment to the troops quickly. After we develop a new product or product upgrade that will fill the desired capability of the user, it is tested with soldiers in the field. The user provides performance feedback on the product to the in-field engineer. Revisions are made quickly, possibly for the next day, to retest in the field. This method has allowed our research and development team to not only make revisions on existing products quickly and efficiently, but also to capture feedback for future upgrades and innovations to meet user needs. An example of our spiral development process was the introduction of our first PackBot robot. When the PackBot was first deployed by the U.S. Army in Afghanistan, we sent one of our technical program managers into the field with the robot. The soldiers gave feedback upon returning from a mission, and our development team made the desired changes to the software. These changes were then downloaded to the PackBot in Afghanistan, sometimes even before the next mission. In addition, based on design ideas from the soldiers using the PackBot, our engineers developed the PackBot Explorer, a recent addition to our PackBot product line. We intend to solicit similar user feedback in the field for the new prototype R-Gator intelligent vehicle to capture the users’ operational requirements as the product matures.

Leveraged Model

Our research and development efforts for our next-generation products are supported by a variety of sources. Our research and development efforts for our next-generation military products are predominately supported by U.S. governmental research organizations such as the Defense Advanced Research Projects Agency, or DARPA, U.S. Space and Warfare Command, or SPAWAR, Technology Support Working Group, or TSWG, and the U.S. Army’s FCS program. While the U.S. government retains certain rights in the research projects that it has funded, we retain ownership of patents and know-how and are generally free to develop other commercial products, including consumer and industrial products, utilizing the technologies developed during these projects. Similarly, expertise developed while designing consumer products is used in designing products for government and industrial applications. We also work with strategic collaborators to develop industry-specific technologies. Moreover, we continue to aggressively reinvest in advanced research and development projects to maintain our technical capability and to enhance our product offerings, allowing us to maintain our leadership position in the marketplace.

Competition

The market for robots is highly competitive, rapidly evolving and subject to changing technologies, shifting customer needs and expectations and the likely increased introduction of new products. We believe that a number of established companies have developed or are developing robots that will compete directly with our product offerings, and many of our competitors have significantly more financial and other resources than we possess. Our current principal competitors include:

- developers of robotic floor care products such as AB Electrolux, Alfred Kärcher GmbH & Co., Samsung Electronics Co., Ltd., Koolatron Corp. and Yujin Robotic Co. Ltd.;
- developers of small unmanned ground vehicles such as Foster-Miller, Inc.— a wholly owned subsidiary of QinetiQ North America, Inc., Allen-Vanguard Corporation, and Remotec— a division of Northrop Grumman Corporation; and
- established government contractors working on unmanned systems such as Lockheed Martin Corporation, BAE Systems, Inc. and General Dynamics Corporation.

While we believe many of our customers purchase our floor cleaning robots as a supplement to, rather than a replacement for, their traditional vacuum cleaners, we do compete in some cases with providers of traditional vacuum cleaners.

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

support and brand and reputation. We believe we compete favorably with our competitors in both the consumer and government and industrial markets on the basis of the foregoing factors.

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

Intellectual Property

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

As of July 2, 2005, we held 19 U.S. patents and more than 25 pending U.S. patent applications. Also, we held three foreign patents and more than 20 pending foreign patent applications. We will continue to file and prosecute patent (or design registration, as applicable) applications when and where appropriate to attempt to protect our rights in our proprietary technologies. We also encourage our employees to continue to invent and develop new technologies so as to maintain our competitiveness in the marketplace. It is possible that our current patents, or patents which we may later acquire, may be successfully challenged or invalidated in whole or in part. It is also possible that we may not obtain issued patents for our pending patent applications or other inventions we seek to protect. It is also possible that we may not develop proprietary products or technologies in the future that are patentable, or that any patent issued to us may not provide us with any competitive advantages, or that the patents of others will harm or altogether preclude our ability to do business.

Our registered U.S. trademarks include iRobot, Roomba, PackBot and Virtual Wall. Our marks, iRobot and Roomba, and certain other trademarks, have also been registered in selected foreign countries.

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

Regulations

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

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

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

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

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

Employees

As of July 2, 2005, we had 214 full-time employees located in the United States and Hong Kong, of whom 113 are in research and development, 40 are in operations, 26 are in sales and marketing and 35 are in general and administration. We believe that we have a good relationship with our employees.

Facilities

Our corporate headquarters are located in Burlington, Massachusetts, where we lease approximately 58,000 square feet. This lease expires on December 31, 2008. We also lease 6,150 square feet of space at an adjacent facility in Burlington for our prototype work on the R-Gator unmanned ground vehicle, and we lease smaller facilities in Hong Kong; San Luis Obispo, California; and Crystal City, Virginia. We do not own any

real property. We believe that our leased facilities and additional or alternative space available to us will be adequate to meet our needs for the foreseeable future.

Legal Proceedings

From time to time, we may be involved in disputes or litigation relating to claims arising out of our operations. We are not currently a party to any material legal proceedings.

Government Product Backlog

Our government product backlog consists of written orders or contracts to purchase our products received from our government customers. Total backlog of product sales to government customers as of July 2, 2005 amounted to approximately \$7.8 million, with all orders scheduled for shipment within six months. We do not have long-term contracts with non-government customers, and purchases from our non-government customers generally occur on an order-by-order basis, which can be terminated or modified at any time by these customers. In addition, our funded research and development contracts may be cancelled or delayed at any time without significant, if any, penalty. As a result, backlog with respect to product sales to our non-government customers and funded research and development is not meaningful. There can be no assurance that any of our backlog will result in revenue.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors, including their ages as of July 2, 2005.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Colin Angle	38	Chief Executive Officer and Director
Helen Greiner	37	President and Chairman of the Board
Rodney Brooks, Ph.D.	50	Chief Technology Officer and Director
Geoffrey P. Clear	55	Senior Vice President, Chief Financial Officer and Treasurer
Joseph W. Dyer	58	Executive Vice President and General Manager
Gregory F. White	41	Executive Vice President and General Manager
Glen D. Weinstein	34	Senior Vice President, General Counsel and Secretary
Ronald Chwang ⁽¹⁾	57	Director
Jacques S. Gansler ⁽²⁾	70	Director
Andrea Geisser ⁽³⁾	62	Director
George McNamee ⁽¹⁾⁽²⁾⁽³⁾	58	Director
Peter Meekin ⁽¹⁾⁽²⁾⁽³⁾	55	Director

(1) Member of the compensation committee.

(2) Member of the nominating and corporate governance committee.

(3) Member of the audit committee.

Colin Angle, a co-founder of iRobot, has served as our chief executive officer since June 1997 and, prior to that, as our president since November 1992. Mr. Angle has also served as a director since October 1992. Mr. Angle also worked at the National Aeronautical and Space Administration's Jet Propulsion Laboratory where he participated in the design of the behavior-controlled rovers that led to Sojourner exploring Mars in 1997. Mr. Angle holds a B.S. in Electrical Engineering and an M.S. in Computer Science, both from MIT.

Helen Greiner, a co-founder of iRobot, has served as our president since June 1997 and as a director since July 1994. Since February 2004, Ms. Greiner has been the chairman of our board of directors. Prior to joining iRobot, Ms. Greiner founded California Cybernetics, a company commercializing Jet Propulsion Laboratory technology. She has been honored by Technology Review Magazine as an "Innovator for the Next Century." Ms. Greiner holds a B.S. in Mechanical Engineering and an M.S. in Computer Science, both from MIT.

Rodney Brooks, Ph.D., a co-founder of iRobot, has held various positions at iRobot since its inception. Dr. Brooks has served as our chief technology officer since June 1997, and prior to that has served as our treasurer and our president. Dr. Brooks has served as a director since our inception in August 1990, and from inception until February 2004, as the chairman of our board of directors. Dr. Brooks is the Panasonic Professor of Robotics at MIT. Since July 2003, Dr. Brooks has been the director of the MIT Computer Science and Artificial Intelligence Lab. From August 1997 until June 2003, he was the director of the MIT Artificial Intelligence Laboratory. Dr. Brooks is a member of the National Academy of Engineering. Dr. Brooks holds a degree in pure mathematics from the Flinders University of South Australia and a Ph.D. in Computer Science from Stanford University.

Geoffrey P. Clear has served as our chief financial officer since May 2002. Since February 2005, Mr. Clear has served as a senior vice president and, since March 2004, he has also served as our treasurer. Mr. Clear was the site manager for 3M Touch Systems, a subsidiary of 3M Corporation, from February 2001 until April 2002. From February 1992 until January 2001, he was the vice president, finance & administration and chief financial officer of MicroTouch Systems, Inc. Mr. Clear holds a B.A. in Economics and an M.B.A., both from Dartmouth College.

Joseph W. Dyer has served as the executive vice president and general manager of our government and industrial robotics division since September 2003. Prior to joining iRobot, Mr. Dyer served for 32 years in the U.S. Navy. From July 2000 until July 2003, he served as Vice Admiral commanding the Naval Air Systems Command at which he was responsible for research and development, procurement and in-service support for naval aircraft, weapons and sensors. He is an elected fellow in the Society of Experimental Test Pilots and the National Academy of Public Administration. He also chairs NASA's Aerospace Safety Advisory Panel. Mr. Dyer holds a B.S. in Chemical Engineering from North Carolina State University and an M.S. in Finance from the Naval Postgraduate School, Monterey, California.

Gregory F. White has served as the executive vice president and general manager of our consumer robotics division since March 2003. Prior to joining iRobot, Mr. White was an executive vice president of The Holmes Group, Inc., a diversified consumer portable electric appliance company, from 1995 until March 2003, and a vice president of The Holmes Group, Inc. from 1993 to 1995. Mr. White holds a B.A. in English from Amherst College and an M.B.A. from the Harvard Business School.

Glen D. Weinstein has served as our general counsel since July 2000. Since February 2005, Mr. Weinstein has also served as a senior vice president, and served as a vice president from February 2002 to January 2005. Since March 2004, he has also served as our secretary. Prior to joining iRobot, Mr. Weinstein was with Covington & Burling, a law firm in Washington, D.C. Mr. Weinstein holds a B.S. in Mechanical Engineering from MIT and a J.D. from the University of Virginia School of Law.

Ronald Chwang, Ph.D., has served as a director since November 1998. Dr. Chwang is the chairman and president of iD Ventures America, LLC (formerly known as Acer Technology Ventures) under the iD SoftCapital Group, a venture investment and management consulting service group formed in January 2005. From August 1998 until December 2004, Dr. Chwang was the chairman and president of Acer Technology Ventures, LLC, managing high-tech venture investment activities in North America. Dr. Chwang serves on the board of directors of Silicon Storage Technology, Inc. and ATI Technologies, Inc. Dr. Chwang holds a B.Eng. (with honors) in Electrical Engineering from McGill University and a Ph.D. in Electrical Engineering from the University of Southern California.

Jacques S. Gansler, Ph.D., has served as a director since July 2004. Dr. Gansler has been a professor at the University of Maryland, where he leads the school's Center for Public Policy and Private Enterprise, since January 2001. From November 1997 until January 2001, Dr. Gansler served as the Under Secretary of Defense for Acquisition, Technology and Logistics for the U.S. federal government. Dr. Gansler holds a B.E. in electrical engineering from Yale University, an M.S. in Electrical Engineering from Northeastern University, an M.A. in Political Economy from New School for Social Research, and a Ph.D. in economics from American University.

Andrea Geisser has served as a director since March 2004. Mr. Geisser has been a managing director of Fenway Partners, a private equity firm, since 1995. Prior to founding Fenway Partners, Mr. Geisser was a managing director of Butler Capital Corporation. Prior to that, he was a managing director of Onex Investment Corporation, a Canadian management buyout company. From 1974 to 1986, he was a senior officer of Exor America. Mr. Geisser has been a board member and audit committee member of several private companies. Mr. Geisser holds a bachelor's degree from Bocconi University in Milan, Italy and a P.M.D. from Harvard Business School.

George McNamee has served as a director since August 1999. Mr. McNamee has served as chairman of First Albany Companies Inc., a specialty investment banking firm, since 1984, and is a managing partner of FA Technology Ventures, an information and energy technology venture capital firm. Mr. McNamee serves on the board of directors of Plug Power Inc. and the New York Conservation Education Fund. Mr. McNamee holds a B.A. from Yale University.

Peter Meekin has served as a director since February 2003. Mr. Meekin has been a managing director of Trident Capital, a venture capital firm, since 1998. Prior to joining Trident Capital, he was vice president of venture development at Enterprise Associates, LLC, the venture capital division of IMS Health. Mr. Meekin holds a B.S. in Mathematics from the State University of New York at New Paltz.

There are no family relationships among any of our directors or executive officers.

Board Composition

We currently have eight directors, several of whom were elected as directors under the board composition provisions of a stockholders agreement and our certificate of incorporation. The board composition provisions of the stockholders agreement and our certificate of incorporation will be terminated upon the closing of this offering. Upon the termination of these provisions, there will be no further contractual obligations regarding the election of our directors. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

Following the offering, the board of directors will be divided into three classes with members of each class of directors serving for staggered three-year terms. The board of directors will consist of two Class I directors (currently Mr. Angle and Dr. Chwang), three Class II directors (currently Ms. Greiner and Messrs. McNamee and Meekin) and three Class III directors (currently Dr. Brooks, Mr. Geisser and Dr. Gansler), whose initial terms will expire at the annual meetings of stockholders held in 2006, 2007 and 2008, respectively. Our classified board could have the effect of making it more difficult for a third party to acquire control of us.

Colin Angle, our chief executive officer, Helen Greiner, our president, and Rodney Brooks, our chief technology officer, each serves as a member of our board of directors.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which operates pursuant to a separate charter adopted by our board of directors. The composition and functioning of all of our committees will comply with all applicable requirements of the Sarbanes-Oxley Act of 2002, the NASDAQ National Market and Securities and Exchange Commission rules and regulations.

Audit Committee. Andrea Geisser, George McNamee and Peter Meekin currently serve on the audit committee. Mr. Geisser is the chairman of our audit committee. The audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns; and
- preparing the audit committee report required by Securities and Exchange Commission rules to be included in our annual proxy statement.

Compensation Committee. George McNamee, Peter Meekin and Ronald Chwang currently serve on the compensation committee. Mr. McNamee is the chairman of our compensation committee. The compensation committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining the compensation of our chief executive officer;

- reviewing and approving the compensation of our other executive officers;
- overseeing and administering our compensation, welfare, benefit and pension plans and similar plans; and
- reviewing and making recommendations to the board with respect to director compensation.

Nominating and Corporate Governance Committee. Jacques S. Gansler, Peter Meekin and George McNamee currently serve on the nominating and corporate governance committee. Dr. Gansler is the chairman of our nominating and corporate governance committee. The nominating and corporate governance committee's responsibilities include:

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

Director Compensation

All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors. In addition, in August 2004, we granted Dr. Gansler an option to purchase 50,000 shares of our common stock as compensation for his service on our board of directors. This option has an exercise price of \$2.78 per share and vests over a three-year period. We have not otherwise paid separate compensation for services rendered as a director.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

Executive Officers

Each of our executive officers has been elected by our board of directors and serves until his or her successor is duly elected and qualified.

Executive Compensation

Compensation Earned

The following summarizes the compensation earned during the year ended December 31, 2004, by our chief executive officer and our four other most highly compensated executive officers who were serving as executive officers on December 31, 2004. We refer to these individuals as our “named executive officers.” The compensation in this table does not include certain perquisites and other personal benefits received by the named executive officers that did not exceed 10% of any officer’s total compensation reported in this table.

Summary Compensation Table

Name and Principal Position	Annual Compensation		Long-Term Compensation Awards		All Other Compensation ⁽¹⁾⁽²⁾
	Salary	Bonus	Restricted Stock Awards	Securities Underlying Options	
Colin Angle Chief Executive Officer	\$ 234,520	\$ 151,914	\$ 71,741	—	\$ 6,150
Helen Greiner President	234,512	135,804	71,741	—	6,150
Geoffrey P. Clear Senior Vice President, Chief Financial Officer and Treasurer	240,757	67,237	24,169	—	6,150
Gregory F. White Executive Vice President and General Manager	260,467	131,705	443,280	—	6,150
Joseph W. Dyer Executive Vice President and General Manager	239,701	104,547	41,251	420,000	6,150

- (1) Excludes medical, group life insurance and certain other benefits received by the named executive officers that are available generally to all of our salaried employees and certain perquisites and other personal benefits received by the named executive officers which do not exceed the lesser of \$50,000 or 10% of any such named executive officer’s total annual compensation reported in this table.
- (2) Represent 401(k) matching contributions.

Option Grants in Last Fiscal Year

The following table presents all grants of stock options during the year ended December 31, 2004 to each of the named executive officers. We have not granted any stock appreciation rights. The option grants listed below were made under our 1994 Stock Option Plan or 2001 Stock Option Plan at exercise prices equal to the fair market value of our common stock on the date of grant, as determined by our board of directors. The potential realizable value, if applicable, is calculated based on the term of the option at its time of grant, which is ten years. This value is net of exercise prices and before taxes, and is based on an assumed initial public offering price of \$ per share, the mid-point of the initial public offering price range, and the assumption that our common stock appreciates at the annual rate shown, compounded annually, from the date of grant until its expiration date. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect our projection or estimate of future stock price growth. Actual gains, if any, on stock option exercises will depend on the future performance of the common stock and the date on which the options are exercised.

The percentage of total options granted to employees in 2004 shown in the table below is based on options to purchase an aggregate of 1,147,375 shares of common stock granted in 2004.

In general, options granted to new employees in 2004 vest over five years, with 20% vesting on each anniversary of the grant date.

Name	Individual Grants		Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 2004			5%	10%
Colin Angle	—	—	—	—	—	—
Helen Greiner	—	—	—	—	—	—
Geoffrey P. Clear	—	—	—	—	—	—
Gregory F. White	—	—	—	—	—	—
Joseph W. Dyer	300,000	26.1%	\$ 2.33	2/18/14	—	—
	120,000	10.4%	\$ 2.78	9/17/14	—	—

Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth certain information concerning the number and value of options exercised by the named executive officers during 2004, if any, and the number and value of any exercised and unexercised options held by the named executive officers at December 31, 2004. There was no public market for our common stock as of December 31, 2004. Accordingly, the value of unexercised in-the-money options, if applicable, represents the total gain that would be realized if all in-the-money options held at December 31, 2004 were exercised, determined by multiplying the number of shares underlying the options by the difference between an assumed initial public offering price of \$ per share, the mid-point of the initial public offering price range, and the per share option exercise price.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-the-Money Options at December 31, 2004	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Colin Angle	—	—	347,710	—	—	—
Helen Greiner	—	—	—	—	—	—
Geoffrey P. Clear	53,440	\$ 119,172	—	80,160	—	—
Gregory F. White	46,601	\$ 20,971	42,393	210,586	—	—
Joseph W. Dyer	—	—	75,000	345,000	—	—

Employee Benefit Plans

Amended and Restated 1994 Stock Plan

Our Amended and Restated 1994 Stock Plan, or 1994 Stock Plan, was adopted by our board of directors and approved by our stockholders in November 1994 and amended and restated in January 2003, July 2003 and March 2004. Our 1994 Stock Plan is administered by the compensation committee of our board of directors. The compensation committee has the full authority and discretion to interpret the 1994 Stock Plan and to apply its provisions. Stock options granted under our 1994 Stock Plan have a maximum term of ten years from the date of grant and incentive stock options have an exercise price of no less than the fair market value of the common stock on the date of grant. Options granted under our 1994 Stock Plan are not transferable other than by will or the laws of descent and distribution.

Our 1994 Stock Plan expired in November 2004 and no further grants or awards have since been made. Grants and awards that are outstanding under our 1994 Stock Plan continue to be governed by the terms of

our 1994 Stock Plan and the agreements related to such grants and awards. As of July 2, 2005, there were outstanding options under our 1994 Stock Plan to purchase a total of 2,130,659 shares of our common stock.

Amended and Restated 2001 Special Stock Option Plan

Our Amended and Restated 2001 Special Stock Option Plan, or 2001 Option Plan, was adopted by our board of directors and approved by our stockholders in October 2001 and amended and restated in July 2003. We have authorized and reserved 642,310 shares of our common stock for the issuance of awards under our 2001 Option Plan. Under our 2001 Option Plan, we are authorized to grant restricted stock awards, incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and non-qualified stock options. Grants may be made to any officer, employee, director or consultant. Incentive stock options may be granted only to our employees.

Our 2001 Option Plan is administered by the compensation committee of our board of directors. The compensation committee has the full authority and discretion to interpret our 2001 Option Plan and to apply its provisions, to select the individuals to whom awards will be granted, to prescribe the terms and conditions of each award and to determine the specific terms and conditions of each award, subject to the provisions of our 2001 Option Plan. Options granted under the 2001 Option Plan are not transferable other than by will or the laws of descent and distribution.

The exercise price of incentive stock options granted under our 2001 Option Plan must not be less than 100% of the fair market value of our common stock on the date the option is granted. The term of any stock option granted under our 2001 Option Plan may not exceed ten years from the date of grant.

Our 2001 Option Plan is subject to termination or amendment by our board of directors. Our board of directors may not, without stockholder approval, increase the number of shares under our 2001 Option Plan or materially change the class of persons eligible to receive incentive stock options under our 2001 Option Plan.

As of July 2, 2005, there were outstanding options to purchase a total of 146,524 shares of our common stock under our 2001 Option Plan and 30,905 shares of our common stock available for future issuance or grant under our 2001 Option Plan.

Amended and Restated 2004 Stock Option and Incentive Plan

Our Amended and Restated 2004 Stock Option and Incentive Plan, or 2004 Option Plan, was adopted by our board of directors and approved by our stockholders in November 2004 and amended and restated in February 2005. Our 2004 Option Plan permits us to make grants of incentive stock options, non-qualified stock options, restricted stock awards and other stock-based awards. We have authorized and reserved 1,189,423 shares of our common stock for the issuance of awards under our 2004 Option Plan. In addition, stock options returned to our 1994 Stock Plan after November 16, 2004, as of result of their expiration, cancellation or termination, are automatically made available for issuance under our 2004 Option Plan.

The 2004 Option Plan is administered by the compensation committee of our board of directors. The compensation committee has the full power and authority to grant and amend awards, to adopt, amend and repeal rules relating to the 2004 Option Plan and to interpret and correct the provisions of the 2004 Option Plan and any award thereunder. All employees, officers, directors, consultants, and advisors are eligible to participate in the 2004 Option Plan, subject to the discretion of the compensation committee. The exercise price of stock options awarded under the 2004 Option Plan will be determined by the compensation committee at the time each option is granted. Restricted stock may be granted under our 2004 Option Plan. Restricted stock awards are shares of our common stock that vest in accordance with terms and conditions established by the compensation committee. The compensation committee will determine the number of shares of restricted stock granted to any employee.

Unless the compensation committee provides otherwise, our 2004 Option Plan does not allow for the transfer or assignment of awards and only the recipient of an award may exercise an award during his or her lifetime. As of July 2, 2005, there were outstanding options to purchase a total of 677,050 shares of our common stock under our 2004 Option Plan and, assuming that no shares are returned to our 1994 Stock Plan

and made available for issuance under our 2004 Option Plan, 512,373 shares of our common stock available for future issuance or grant under our 2004 Option Plan.

401(k) Plan

We maintain a tax-qualified retirement plan that provides all regular employees with an opportunity to save for retirement on a tax-advantaged basis. Under the 401(k) plan, participants may elect to defer a portion of their compensation on a pre-tax basis and have it contributed to the plan subject to applicable annual Internal Revenue Code limits. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. Employee elective deferrals are 100% vested at all times. The 401(k) plan allows for matching contributions to be made by us. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan and all contributions are deductible by us when made.

Employment, Severance and Change in Control Arrangements

We have employment agreements with Colin Angle, Helen Greiner, Geoffrey P. Clear, Joseph W. Dyer and Gregory F. White, which provide for certain severance compensation. In the event that any of these employees is terminated other than for cause or other agreed-upon reasons, we will be obligated to pay severance until the later of six months from termination (twelve months in the case of Mr. Dyer) and the expiration of the noncompetition period set forth in the respective agreement.

We also entered into an independent contractor agreement with Dr. Rodney Brooks in 2002. If we terminate this agreement, Dr. Brooks will be entitled to twelve months severance and, if we terminate this agreement during 2005, an additional bonus payment equal to \$66,600, provided that Dr. Brooks complies with certain obligations under this agreement.

Limitation of Liability and Indemnification

As permitted by the Delaware General Corporation Law, we have adopted provisions in our certificate of incorporation and by-laws to be in effect at the closing of this offering that limit or eliminate the personal liability of our directors. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our by-laws provide that:

- we will indemnify our directors, officers and, in the discretion of our board of directors, certain employees to the fullest extent permitted by the Delaware General Corporation Law; and
- we will advance expenses, including attorneys' fees, to our directors and, in the discretion of our board of directors, to our officers and certain employees, in connection with legal proceedings, subject to limited exceptions.

Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our executive officers and directors. These agreements provide that we will indemnify each of our directors to

the fullest extent permitted by law and advance expenses to each indemnitee in connection with any proceeding in which indemnification is available.

We also maintain general liability insurance that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act of 1933, as amended. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the registrant pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

These provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the indemnification agreements and the insurance are necessary to attract and retain talented and experienced directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors or officers where indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation agreements and other arrangements which are described as required in "Management" and the transactions described below, since January 1, 2002, there has not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$60,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

All of the transactions set forth below were approved by a majority of the board of directors, including a majority of the independent and disinterested members of the board of directors. We believe that we have executed all of the transactions set forth below on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates, are approved by a majority of the board of directors, including a majority of the independent and disinterested members of the board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

Private Placements of Securities

In November 1998, we issued and sold an aggregate of 1,336,370 shares of Series A convertible preferred stock at a price of \$1.16 per share. In August 1999, we issued and sold an aggregate of 668,185 shares of Series B convertible preferred stock at a price of \$1.4966 per share. In February 2000, we issued and sold an aggregate of 1,470,000 shares of Series C convertible preferred stock at a price of \$3.7415 per share. In August 2001, we issued and sold an aggregate of 1,721,196 shares of Series D convertible preferred stock, and in September 2001, we issued and sold an aggregate of 149,712 shares of Series D convertible preferred stock, in each case, at a price of \$3.7415 per share. In February 2003, we issued and sold an aggregate of 1,287,554 shares of Series E convertible preferred stock, in March 2003, we issued and sold an aggregate of 637,700 shares of Series E convertible preferred stock, and in May 2003, we issued and sold an aggregate of 874,099 shares of Series E convertible preferred stock, in each case, at a price of \$4.66 per share. In November 2004, we issued and sold an aggregate of 1,412,430 shares of Series F convertible preferred stock at a price of \$7.08 per share. Each share of Series A convertible preferred stock, the Series B convertible preferred stock, the Series C convertible preferred stock, the Series D convertible preferred stock, the Series E convertible preferred stock, and the Series F convertible preferred stock will convert into one share of common stock upon the closing of this offering.

The following table summarizes, on a common stock equivalents basis, the participation by our five percent stockholders and stockholders associated with some of our directors in these private placements.

Purchaser ⁽¹⁾	Total Common Stock Equivalents	Aggregate Consideration Paid	Investment Participation
Stockholders Associated with Directors			
Trident Capital ⁽²⁾	2,194,680	\$ 10,604,858	Series E and F
Acer Technology Ventures ⁽³⁾	2,603,699	7,209,635	Series A, C, D, E and F
First Albany Entities ⁽⁴⁾	1,418,165	4,241,126	Series B, C, D, E and F
Fenway Partners ⁽⁵⁾	1,339,920	5,464,717	Series D, E and F

(1) See "Principal Stockholders" for more detail on shares held by these purchasers.

(2) Trident Capital includes Trident Capital Fund-V, L.P., Trident Capital Fund-V Affiliates Fund, L.P., Trident Capital Fund-V Affiliates Fund (Q), L.P., Trident Capital Fund-V Principals Fund, L.P. and Trident Capital Parallel Fund-V, C.V. Consideration paid to us by Trident Capital for our convertible preferred stock in 2003 and 2004 was \$9,500,002 and \$1,104,855, respectively. Mr. Meekin, who is one of our directors, is a Managing Director of Trident Capital Management-V, L.L.C., the sole general partner of Trident Capital Fund-V, L.P., Trident Capital Fund-V Affiliates Fund, L.P., Trident Capital Fund-V Affiliates Fund (Q), L.P., and Trident Capital Fund-V Principals Fund, L.P. and the sole investment general partner of Trident Capital Parallel Fund-V, C.V.

(3) Acer Technology Ventures includes Acer Technology Venture Fund L.P., IP Fund One, L.P. and iD6 Fund, L.P. Consideration paid to us by Acer Technology Ventures for our convertible preferred stock in 1998, 2000, 2001, 2003 and 2004 was \$1,550,189,

\$1,500,001, \$1,107,390, \$1,900,003 and \$1,152,051, respectively. Dr. Chwang, who is one of our directors, is a General Partner of the management company for each of Acer Technology Venture Fund L.P., IP Fund One, L.P. and iD6 Fund, L.P.

- (4) First Albany Entities includes First Albany Companies Inc., First Albany Private Fund 1999, LLC, First Albany Private Fund 2003, LLC, FA Technology Ventures, L.P., and First Albany Private Fund 2004, LLC. Consideration paid to us by First Albany Entities for our convertible preferred stock in 1999, 2000, 2001, 2003 and 2004 was \$1,000,006, \$1,574,999, \$568,861, \$300,001 and \$797,258, respectively. Mr. McNamee, who is one of our directors, is the Chairman of First Albany Companies Inc.
- (5) Fenway Partners includes FPIP Trust, LLC, FPIP, LLC and Fenway Partners Capital Fund II, L.P. Mr. Geisser, who is one of our directors, is a Managing Director of Fenway Partners, Inc., the Managing Member of FPIP Trust, LLC and FPIP, LLC. Consideration paid to us by Fenway Partners for our convertible preferred stock in 2001, 2003 and 2004 was \$4,000,000, \$871,844 and \$592,872, respectively. Mr. Geisser is also a Managing Director of Fenway Partners II, LLC, the sole General Partner of Fenway Partners Capital Fund II, L.P.

In connection with the above transactions, we entered into agreements with all of the investors participating therein providing for registration rights with respect to the shares sold in these transactions. The most recent such agreement restates the registration rights of the above investors and the other parties thereto. For more information regarding this agreement, see “Description of Capital Stock— Registration Rights.” In addition, in connection with the above transaction, we also entered into agreements with all of the investors participating therein providing us and the non-founder investors with certain rights of first refusal and co-sale rights in the event the founders seek to sell their shares of our common stock. These rights shall terminate immediately prior to the completion of this offering.

Transactions with our Executive Officers and Directors

In November 2004, we entered into a registration rights agreement with certain of our stockholders, including Colin Angle, our chief executive officer and director, Helen Greiner, our president and chairman of our board of directors and Rodney Brooks, our chief technology officer and director, pursuant to which we granted such stockholders certain registration rights with respect to shares of our common stock held by them. For more information regarding this agreement, see “Description of Capital Stock— Registration Rights.”

We have employment agreements with Colin Angle, Helen Greiner, Geoffrey P. Clear, Joseph W. Dyer and Gregory F. White and an independent contractor agreement with Dr. Rodney Brooks, which provide for certain salary, bonus, stock option and severance compensation. For more information regarding these agreements, see “Management— Employment, Severance and Change in Control Arrangements.”

From time to time, our executive officers enter into stock restriction agreements upon the exercise of their option grants.

Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our executive officers and directors, providing for indemnification against expenses and liabilities reasonably incurred in connection with their service for us on our behalf. For more information regarding these agreements, see “Management— Limitation of Liability and Indemnification of Officers and Directors.”

We obtain certain consulting services from the spouse of our chief executive officer, Colin Angle. In connection with these consulting services, we paid \$62,697 in 2002. In addition, we employ one of Mr. Angle’s siblings.

George McNamee, a member of our board of directors, is the Chairman of First Albany Companies Inc. First Albany Capital Inc., one of the underwriters, is a wholly-owned subsidiary of First Albany Companies Inc.

Stock Option Awards

For information regarding stock options and stock awards granted to our named executive officers and directors, see “Management— Director Compensation” and “Management— Executive Compensation.”

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth the beneficial ownership information of our common stock at July 2, 2005, and as adjusted to reflect the sale of the shares of common stock in this offering, for:

- each person known to us to be the beneficial owner of more than 5% of our common stock;
- each named executive officer;
- each of our directors;
- all of our executive officers and directors as a group; and
- each selling stockholder.

Unless otherwise noted below, the address of the persons and entities listed on the table is c/o iRobot Corporation, 63 South Avenue, Burlington, Massachusetts 01803. We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock reflected as beneficially owned, subject to applicable community property laws. We have based our calculation of the percentage of beneficial ownership on 19,894,820 shares of common stock outstanding on July 2, 2005, assuming the conversion of all of the outstanding convertible preferred stock, and _____ shares of common stock outstanding upon completion of this offering.

In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of July 2, 2005. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than 1% is denoted with an asterisk (*).

<u>Beneficial Owner</u>	<u>Shares Beneficially Owned Prior to the Offering</u>		<u>Shares Offered</u>	<u>Shares Beneficially Owned After the Offering</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
5% Stockholders:					
Acer Technology Ventures(1) 5201 Great America Parkway Suite 270 Santa Clara, CA 95054	2,603,699	13.1%			
Trident Capital(2) 325 Riverside Avenue Westport, CT 06880	2,194,680	11.0%			
Grinnell More(3)	1,455,954	7.3%			
First Albany Entities(4) 677 Broadway Albany, NY 12207	1,418,165	7.1%			
Fenway Partners(5) 152 West 57th Street 59th Floor New York, NY 10019	1,339,920	6.7%			
Directors and Named Executive Officers:					
Colin Angle(6)	2,252,424	11.1%			
Helen Greiner	1,699,619	8.5%			
Rodney Brooks, Ph.D.(7)	2,389,695	12.0%			
Geoffrey P. Clear(8)	132,285	*			
Joseph W. Dyer(9)	89,892	*			

Beneficial Owner	Shares Beneficially Owned Prior to the Offering		Shares Offered	Shares Beneficially Owned After the Offering	
	Number	Percent		Number	Percent
Gregory F. White ⁽¹⁰⁾	457,412	2.3%			
Ronald Chwang ⁽¹⁾	2,603,699	13.1%			
Jacques S. Gansler ⁽¹¹⁾	16,667	*			
Andrea Geisser ⁽⁵⁾	1,339,920	6.7%			
George McNamee ⁽¹²⁾	180,901	*			
Peter Meekin ⁽²⁾	2,194,680	11.0%			
Executive officers and directors as a group (twelve persons) ⁽¹³⁾	13,421,596	65.8%			

Other Selling Stockholders:

- (1) Consists of 1,737,279 shares held by Acer Technology Venture Fund L.P., 818,420 shares held by IP Fund One, L.P. and 48,000 shares held by iD6 Fund, L.P. Dr. Chwang is a General Partner of the management company for each of Acer Technology Venture Fund L.P., IP Fund One, L.P. and iD6 Fund, L.P., and may be deemed to share voting and investment power with respect to all shares held by those entities. Dr. Chwang disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any.
- (2) Consists of 1,966,075 shares held by Trident Capital Fund-V, L.P., 11,427 shares held by Trident Capital Fund-V Affiliates Fund, L.P., 10,904 shares held by Trident Capital Fund-V Affiliates Fund (Q), L.P., 56,905 shares held by Trident Capital Fund-V Principals Fund, L.P. and 149,369 shares held by Trident Capital Parallel Fund-V, C.V. Mr. Meekin is one of six Managing Directors of Trident Capital Management-V, L.L.C., the sole general partner of Trident Capital Fund-V, L.P., Trident Capital Fund-V Affiliates Fund, L.P., Trident Capital Fund-V Affiliates Fund (Q), L.P., and Trident Capital Fund-V Principals Fund, L.P. and the sole investment general partner of Trident Capital Parallel Fund-V, C.V., and may be deemed to share voting and investment power with respect to all shares held by those entities. Mr. Meekin disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any.
- (3) Includes 1,029,738 shares held by Real World Interface, Inc. Trust. Mr. More is a trustee of the Real World Interface, Inc. Trust and may be deemed to share voting and investment power with respect to such shares. Mr. More disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any.
- (4) Consists of 1,218,336 shares held by First Albany Companies Inc., 22,844 shares held by First Albany Private Fund 1999, LLC, 64,378 shares held by First Albany Private Fund 2003, LLC, 94,658 shares held by FA Technology Ventures, L.P. and 17,949 shares held by First Albany Private Fund 2004, LLC. Through a Special Committee of its Board of Directors, First Albany Companies Inc. exercises sole voting and investment power with respect to all shares held by First Albany Companies Inc., First Albany Private Fund 1999, LLC, First Albany Private Fund 2003, LLC and First Albany Private Fund 2004, LLC.
- (5) Consists of 5,053 shares held by FPIP Trust, LLC, 3,665 shares held by FPIP, LLC and 1,331,202 shares held by Fenway Partners Capital Fund II, L.P. Mr. Geisser is a Managing Director of Fenway Partners, Inc., the Managing Member of FPIP Trust, LLC and FPIP, LLC. Mr. Geisser is also a Managing Director of Fenway Partners II, L.L.C., the sole General Partner of Fenway Partners Capital Fund II, L.P., and may be deemed to share voting and investment power with respect to all shares held by those entities. Mr. Geisser disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any.
- (6) Includes 347,710 shares issuable to Mr. Angle upon exercise of stock options. Also includes 200,000 shares held in a trust for the benefit of certain of his family members.
- (7) Includes 252,000 shares held in a trust for the benefit of certain of his family members. Also includes 204,090 shares held by Robotic Ventures Fund I, L.P., of which Dr. Brooks is a General Partner. Dr. Brooks disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any.
- (8) Includes 26,720 shares issuable to Mr. Clear upon exercise of stock options.
- (9) Includes 49,249 shares issuable to Mr. Dyer upon exercise of stock options.
- (10) Includes 8,505 shares issuable to Mr. White upon exercise of stock options.
- (11) Consists of shares issuable to Dr. Gansler upon exercise of stock options.
- (12) Includes 94,658 shares held by FA Technology Ventures, L.P. and 3,495 shares held by FA Technology Managers, LLC. Mr. McNamee is a Partner of the General Partner of FA Technology Ventures, L.P. and may be deemed to share voting and investment power with respect to all shares held thereby. Mr. McNamee is a Manager of FA Technology Managers, LLC and may be deemed to share voting and investment power with respect to all shares held thereby. Mr. McNamee disclaims beneficial ownership of the shares held by FA Technology Ventures, L.P. and FA Technology Managers, LLC except to the extent of his pecuniary interest, if any.
- (13) Includes an aggregate of 496,851 shares issuable upon exercise of stock options held by six executive officers and directors.

DESCRIPTION OF CAPITAL STOCK

General

Upon completion of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value \$0.01 per share, and 5,000,000 shares of undesignated preferred stock, par value \$0.01 per share. The following description of our capital stock is intended as a summary only and is qualified in its entirety by reference to our second amended and restated certificate of incorporation and amended and restated by-laws to be in effect at the closing of this offering, which are filed as exhibits to the registration statement, of which this prospectus forms a part, and to the applicable provisions of the Delaware General Corporation Law. We refer in this section to our second amended and restated certificate of incorporation as our certificate of incorporation, and we refer to our amended and restated by-laws as our by-laws.

Common Stock

As of July 2, 2005, there were 19,894,820 shares of our common stock outstanding and held of record by approximately 142 stockholders, assuming conversion of all outstanding shares of preferred stock.

Holders of our common stock are entitled to one vote for each share of common stock held of record for the election of directors and on all matters submitted to a vote of stockholders. Holders of our common stock are entitled to receive dividends ratably, if any, as may be declared by our board of directors out of legally available funds, subject to any preferential dividend rights of any preferred stock then outstanding. Upon our dissolution, liquidation or winding up, holders of our common stock are entitled to share ratably in our net assets legally available after the payment of all our debts and other liabilities, subject to the preferential rights of any preferred stock then outstanding. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future. Except as described below in "Provisions of our Certificate of Incorporation and By-Laws and Delaware Anti-Takeover Law," a majority vote of common stockholders is generally required to take action under our certificate of incorporation and by-laws.

Preferred Stock

Upon completion of this offering, our board of directors will be authorized, without action by the stockholders, to designate and issue up to an aggregate of 5,000,000 shares of preferred stock in one or more series. The board of directors can fix the rights, preferences and privileges of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible future financings and acquisitions and other corporate purposes could, under certain circumstances, have the effect of delaying, deferring or preventing a change in control of our company and might harm the market price of our common stock.

Our board of directors will make any determination to issue such shares based on its judgment as to our company's best interests and the best interests of our stockholders. We have no current plans to issue any shares of preferred stock.

Warrants

As of July 2, 2005, one warrant to purchase a total of 18,000 shares of our common stock was outstanding with an approximate exercise price of \$3.74 per share. This warrant expires on January 29, 2010.

Registration Rights

We entered into a registration rights agreement, dated as of November 10, 2004, with the holders of shares of our common stock issuable upon conversion of the shares of preferred stock and other stockholders, including certain members of our management. Under this agreement, holders of shares having registration

rights can demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. All of these registration rights are subject to conditions and limitations, including the right of the underwriters of an offering to limit the number of shares included in such registration and our right not to effect a requested registration within six months following any offering of our securities, including this offering.

Demand Registration Rights. The holders of 9,175,829 shares of common stock, subject to exceptions, are entitled to certain demand registration rights, upon the request of holders of a certain percentage of such shares, pursuant to which they may require us to file a registration statement under the Securities Act at our expense with respect to their shares of common stock. We are required to use our best efforts to effect any such registration.

Piggyback Registration Rights. If we propose to register any of our securities under the Securities Act for our own account or the account of any other holder, the holders of approximately 16,056,675 shares of common stock are entitled to notice of such registration and are entitled to include shares of their common stock therein.

S-3 Registration Rights. The holders of approximately 9,677,521 shares of common stock are entitled to demand registration rights pursuant to which they may require us to file a registration statement under the Securities Act on Form S-3 with respect to their shares of common stock, and we are required to use our best efforts to effect that registration.

We will pay all registration expenses, other than underwriting discounts and commissions, related to any demand or piggyback registration. The registration rights agreement contains customary cross-indemnification provisions, pursuant to which we are obligated to indemnify the selling stockholders in the event of material misstatements or omissions in the registration statement attributable to us, and they are obligated to indemnify us for material misstatements or omissions attributable to them.

Provisions of our Certificate of Incorporation and By-Laws and Delaware Anti-Takeover Law

Our certificate of incorporation and by-laws will, upon completion of this offering, include a number of provisions that may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

Board Composition and Filling Vacancies. In accordance with our certificate of incorporation, our board is divided into three classes serving staggered three-year terms, with one class being elected each year. Our certificate of incorporation also provides that directors may be removed only for cause and then only by the affirmative vote of the holders of 75% or more of the shares then entitled to vote at an election of directors. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum.

No Written Consent of Stockholders. Our certificate of incorporation provides that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting.

Meetings of Stockholders. Our by-laws provide that only a majority of the members of our board of directors then in office may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our by-laws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

Advance Notice Requirements. Our by-laws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be

taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in the by-laws.

Amendment to By-Laws and Certificate of Incorporation. As required by the Delaware General Corporation Law, any amendment of our certificate of incorporation must first be approved by a majority of our board of directors and, if required by law or our certificate of incorporation, thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment, and a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, directors, limitation of liability and the amendment of our by-laws and certificate of incorporation must be approved by not less than 75% of the outstanding shares entitled to vote on the amendment, and not less than 75% of the outstanding shares of each class entitled to vote thereon as a class. Our by-laws may be amended by the affirmative vote of a majority vote of the directors then in office, subject to any limitations set forth in the by-laws; and may also be amended by the affirmative vote of at least 75% of the outstanding shares entitled to vote on the amendment, or, if the board of directors recommends that the stockholders approve the amendment, by the affirmative vote of the majority of the outstanding shares entitled to vote on the amendment, in each case voting together as a single class.

Blank Check Preferred Stock. Our certificate of incorporation provides for 5,000,000 authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

Section 203 of the Delaware General Corporate Law

Upon completion of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation’s voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or
- at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the

stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

NASDAQ National Market Listing

We have applied to the NASDAQ National Market for the quotation of our common stock under the trading symbol "IRBT."

Transfer Agent and Registrar

Upon completion of this offering, the transfer agent and registrar for our common stock will be .

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock. Although we have applied to have our common stock approved for quotation on the NASDAQ National Market, we cannot assure you that there will be an active public market for our common stock.

Upon completion of this offering, we will have outstanding an aggregate of _____ shares of common stock, assuming the issuance of _____ shares of common stock offered hereby and no exercise of options after July 2, 2005. Of these shares, the _____ shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to certain limitations and restrictions described below.

The remaining _____ shares of common stock held by existing stockholders were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. Of these shares, _____ shares will be subject to “lock-up” agreements described below on the effective date of this offering. On the effective date of this offering, there will be _____ shares that are not subject to lock-up agreements and eligible for sale pursuant to Rule 144(k). Upon expiration of the lock-up agreements 180 days after the effective date of this offering, _____ shares will become eligible for sale, subject in most cases to the limitations of Rule 144. In addition, holders of stock options could exercise such options and sell certain of the shares issued upon exercise as described below.

<u>Days After Date of this Prospectus</u>	<u>Shares Eligible for Sale</u>	<u>Comment</u>
Upon Effectiveness		Shares sold in the offering
Upon Effectiveness		Freely tradable shares saleable under Rule 144(k) that are not subject to the lock-up
90 Days		Shares saleable under Rules 144 and 701 that are not subject to a lock-up
180 Days		Lock-up released, subject to extension; shares saleable under Rules 144 and 701
Thereafter		Restricted securities held for one year or less

Lock-up Agreements

We, each of our directors and executive officers, the selling stockholders and certain of our other stockholders, who collectively own _____ shares of our common stock, based on shares outstanding as of July 2, 2005, have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and J.P. Morgan Securities Inc. on behalf of the underwriters, we and they will not, subject to limited exceptions, during the period ending 180 days after the date of this prospectus, subject to extension in specified circumstances:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock,

whether any transaction described above is to be settled by delivery of our common stock or such other securities, in cash or otherwise. Upon the expiration of the applicable lock-up periods, substantially all of the

shares subject to such lock-up restrictions will become eligible for sale, subject to the limitations discussed above.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year, including an affiliate, would be entitled to sell in “broker’s transactions” or to market makers, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately _____ shares immediately after this offering; or
- the average weekly trading volume in our common stock on the NASDAQ National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are generally subject to the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell such shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. Therefore, unless otherwise restricted, “144(k) shares” may be sold immediately upon the completion of this offering.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to sell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period and notice filing requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates without compliance with its one year minimum holding period requirements.

Stock Options

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and common stock issued or issuable under our stock plans. We expect to file the registration statement covering shares offered pursuant to our stock plans shortly after the date of this prospectus, permitting the resale of such shares by nonaffiliates in the public market without restriction under the Securities Act.

Registration Rights

Upon completion of this offering, the holders of 16,056,675 shares of our common stock will be eligible to exercise certain rights with respect to the registration of such shares under the Securities Act. See “Description of Capital Stock— Registration Rights.” Upon the effectiveness of a registration statement covering these shares, the shares would become freely tradable.

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., First Albany Capital Inc., Needham & Company, LLC, and Adams Harkness, Inc. are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
J.P. Morgan Securities Inc.	
First Albany Capital Inc.	
Needham & Company, LLC	
Adams Harkness, Inc.	
Total	

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of specified legal matters by their counsel and to other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ _____ a share under the public offering price. No underwriter may allow, and no dealer may reallow, any concession to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

The selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of _____ additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be \$ _____, the total underwriters' discounts and commissions paid by us and the selling stockholders would be \$ _____ and \$ _____, respectively, and the total proceeds to us and the selling stockholders would be \$ _____ and \$ _____, respectively.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

We, each of our directors and executive officers, the selling stockholders and certain of our other stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and

J.P. Morgan Securities Inc. on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock,

whether any transaction described above is to be settled by delivery of our common stock or such other securities, in cash or otherwise.

These restrictions do not apply to:

- the sale of shares to the underwriters;
- the issuance by us of shares of our common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- transactions by anyone other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares;
- transfers of shares or any security convertible into our common stock as a bona fide gift; or
- distributions by a selling stockholder of shares or any security convertible into our common stock to limited partners or stockholders of the selling stockholder,

provided that in the case of each of the last two transactions, each donee or distributee agrees to accept the restrictions described in the immediately preceding paragraph and no filing under Section 16(a) of the Exchange Act reporting a reduction in beneficial ownership of shares of common stock is required in connection with these transactions during the 180-day period.

Notwithstanding the foregoing, if:

- during the last 17 days of the 180-day period, we issue an earnings release or material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period,

the above restrictions shall continue to apply until either (x) the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event if, within three days of that issuance or occurrence, any of the underwriters publishes or otherwise distributes a research report or makes a public appearance concerning us, or (y) the later of the last day of the 180-day period and the third day after we issue the release or the material news or material event occurs.

The following table shows the per share and total underwriting discounts and commissions that we and the selling stockholders are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of our common stock.

	Paid by Us		Paid by Selling Stockholders		Total	
	No Exercise	Full Exercise	No Exercise	Full Exercise	No Exercise	Full Exercise
Per share	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$

In addition, we estimate that the expenses of this offering other than underwriting discounts and commissions payable by us will be \$.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in this offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions or to stabilize the price of the common stock. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We have applied for quotation of our common stock on the NASDAQ National Market under the symbol "IRBT."

We, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

The underwriters have in the past performed and may in the future perform investment banking and advisory services for us from time to time for which they have received or may in the future receive customary fees and expenses. The underwriters may, from time to time, engage in transactions with or perform services for us in the ordinary course of business.

Qualified Independent Underwriter

This offering is being conducted under Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc. or the NASD, which provides that when a NASD member firm participates in the offering of equity securities of an issuer with which the member has a conflict of interests, the initial public offering price can be no higher than that recommended by a "qualified independent underwriter."

George McNamee, a member of our board of directors, is the Chairman of First Albany Companies Inc. First Albany Capital Inc., one of the underwriters, is a wholly-owned subsidiary of First Albany Companies Inc. In addition, First Albany Companies Inc. and its affiliates own in the aggregate more than 10% of our preferred equity as defined pursuant to Rule 2720(b) (12) of the Conduct Rules of the NASD.

Morgan Stanley & Co. Incorporated is serving as the qualified independent underwriter in the offering and will recommend a price in compliance with the requirements of 2720 of the Conduct Rules of the NASD. Morgan Stanley & Co. Incorporated has performed due diligence investigations and reviewed and participated in the preparation of the prospectus and the registration statement of which this prospectus forms a part. Morgan Stanley & Co. Incorporated will receive no additional compensation in its capacity as the qualified independent underwriter. We have agreed to indemnify Morgan Stanley & Co. Incorporated against liabilities incurred in connection with its acting as the qualified independent underwriter, including liabilities under the Securities Act.

Directed Share Program

At our request, Morgan Stanley & Co. Incorporated has reserved for sale as part of the underwritten offering, at the initial public offering price, up to _____ shares, or _____ % of the total number of shares offered by this prospectus, for our directors, officers, employees, business associates and other persons with whom we have a relationship. If purchased by these persons, these shares will be subject to a _____-day lock-up restriction. The number of shares of common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered in this prospectus.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be our future prospects and those of our industry in general, our sales, earnings and other financial operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

Goodwin Procter LLP, Boston, Massachusetts, will pass upon the validity of the shares of common stock offered hereby. Wilmer Cutler Pickering Hale and Dorr LLP, Boston, Massachusetts, will pass upon legal matters relating to this offering for the underwriters.

EXPERTS

The consolidated financial statements as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (File Number 333-) under the Securities Act with respect to the shares of common stock we and the selling stockholders are offering by this prospectus. This prospectus does not contain all of the information included in the registration statement. For further information pertaining to us and our common stock, you should refer to the registration statement and to its exhibits. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document.

Upon the closing of the offering, we will be subject to the informational requirements of the Securities Exchange Act of 1934 and will file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

iROBOT CORPORATION
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
iRobot Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows present fairly, in all material respects, the financial position of iRobot Corporation and its subsidiary at December 31, 2003 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
May 4, 2005 (except for Note 17,
as to which the date is May 26, 2005)

iROBOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u>		<u>July 2,</u> <u>2005</u>	<u>July 2,</u> <u>2005</u> <u>(Pro Forma)</u>
	<u>2003</u>	<u>2004</u>		
(unaudited)				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,619,937	\$ 19,440,843	\$ 15,090,230	\$ 15,090,230
Accounts receivable, net of allowance of \$247,921 at December 31, 2003, and \$50,000 at December 31, 2004 and at July 2, 2005	8,137,517	14,436,269	7,344,671	7,344,671
Unbilled revenue	1,142,784	774,025	929,944	929,944
Inventory, net	11,419,611	7,668,934	12,399,474	12,399,474
Other current assets	798,045	399,702	479,072	479,072
Total current assets	26,117,894	42,719,773	36,243,391	36,243,391
Property and equipment, net	1,605,033	3,512,510	4,010,207	4,010,207
Other assets	103,719	82,000	82,000	82,000
Total assets	<u>\$ 27,826,646</u>	<u>\$ 46,314,283</u>	<u>\$ 40,335,598</u>	<u>\$ 40,335,598</u>
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	\$ 6,781,412	\$ 19,581,065	\$ 19,611,817	\$ 19,611,817
Revolving line of credit	1,338,980	—	—	—
Accrued expenses	2,802,666	3,819,937	4,029,378	4,029,378
Accrued compensation	2,032,299	3,150,761	2,763,659	2,763,659
Provision for contract settlements	5,333,619	5,190,798	5,239,124	5,239,124
Deferred revenue	7,201,339	1,287,935	2,028,149	2,028,149
Total current liabilities	25,490,315	33,030,496	33,672,127	33,672,127
Long-term liabilities	133,200	66,600	—	—
Commitments and contingencies (Note 13):				
Redeemable convertible preferred stock (Note 8)	27,561,869	37,506,236	37,506,236	—
Common stock, \$0.01 par value, 18,500,000, 35,000,000 and 35,000,000 shares authorized and 9,360,750, 10,129,457 and 10,337,574 shares issued and outstanding at December 31, 2003 and 2004 and July 2, 2005, respectively	93,608	101,294	103,375	198,947
Additional paid-in capital	1,695,966	2,925,496	4,577,829	41,988,493
Note receivable from stockholder	(43,000)	(43,000)	—	—
Deferred compensation	—	(386,587)	(1,480,231)	(1,480,231)
Accumulated deficit	(27,105,312)	(26,886,252)	(34,043,738)	(34,043,738)
Total stockholders' equity (deficit)	(25,358,738)	(24,289,049)	(30,842,765)	6,663,471
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	<u>\$ 27,826,646</u>	<u>\$ 46,314,283</u>	<u>\$ 40,335,598</u>	<u>\$ 40,335,598</u>

See accompanying notes to consolidated financial statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended			Six Months Ended	
	December 31, 2002	December 31, 2003	December 31, 2004	June 30, 2004	July 2, 2005
	(unaudited)				
Revenue:					
Product revenue	\$ 6,955,215	\$ 45,896,313	\$ 82,147,080	\$ 23,087,249	\$ 34,723,592
Contract revenue	7,222,589	7,661,244	12,365,114	5,038,983	8,232,950
Royalty revenue	638,704	758,595	530,955	483,316	62,037
Total revenue	<u>14,816,508</u>	<u>54,316,152</u>	<u>95,043,149</u>	<u>28,609,548</u>	<u>43,018,579</u>
Cost of revenue:					
Cost of product revenue	4,896,025	31,193,513	59,321,238	16,471,000	26,750,347
Cost of contract revenue	11,860,610	6,143,347	8,370,487	3,345,591	5,770,138
Total cost of revenue	<u>16,756,635</u>	<u>37,336,860</u>	<u>67,691,725</u>	<u>19,816,591</u>	<u>32,520,485</u>
Gross profit (loss)	(1,940,127)	16,979,292	27,351,424	8,792,957	10,498,094
Operating expenses:					
Research and development	1,735,831	3,848,010	5,504,321	2,563,083	5,712,525
Selling, general and administrative	7,128,105	20,521,298	21,404,106	9,188,128	12,061,316
Stock-based compensation ⁽¹⁾	—	—	—	—	90,489
Total operating expenses	<u>8,863,936</u>	<u>24,369,308</u>	<u>26,908,427</u>	<u>11,751,211</u>	<u>17,864,330</u>
Operating income (loss)	(10,804,063)	(7,390,016)	442,997	(2,958,254)	(7,366,236)
Other (expense) income, net	44,764	15,282	(79,762)	(41,069)	211,000
Income (loss) before income taxes	(10,759,299)	(7,374,734)	363,235	(2,999,323)	(7,155,236)
Income tax expense	14,695	36,227	144,175	1,306	2,250
Net income (loss)	<u>\$ (10,773,994)</u>	<u>\$ (7,410,961)</u>	<u>\$ 219,060</u>	<u>\$ (3,000,629)</u>	<u>\$ (7,157,486)</u>
Net income (loss) per share					
Basic	\$ (2.00)	\$ (0.79)	\$ 0.01	\$ (0.31)	\$ (0.72)
Diluted	\$ (2.00)	\$ (0.79)	\$ 0.01	\$ (0.31)	\$ (0.72)
Number of shares used in per share calculations					
Basic	5,390,679	9,351,880	9,659,993	9,530,022	10,007,932
Diluted	5,390,679	9,351,880	19,182,595	9,530,022	10,007,932

(1) Stock-based compensation recorded in 2005 breaks down by expense classification as follows:

	Six Months Ended July 2, 2005 (unaudited)
Cost of product revenue	\$ 8,835
Cost of contract revenue	10,998
Research and development	31,832
Selling, general and administrative	38,824
Total stock-based compensation	<u>\$ 90,489</u>

See accompanying notes to consolidated financial statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional Paid-In Capital	Note Receivable from Stockholder	Deferred Compensation	Accumulated Deficit	Total
	Shares	Value					
Balance at December 31, 2002	9,291,760	\$ 92,918	\$ 1,661,896	\$ (43,000)	\$ —	\$ (19,694,351)	\$ (17,982,537)
Issuance of common stock warrants related to debt financing			22,312				22,312
Issuance of common stock for exercise of stock options	68,990	690	11,758				12,448
Net loss						(7,410,961)	(7,410,961)
Balance at December 31, 2003	9,360,750	93,608	1,695,966	(43,000)	—	(27,105,312)	(25,358,738)
Issuance of restricted stock	397,584	3,976	967,217		(669,912)		301,281
Amortization of deferred compensation relating to restricted stock					283,325		283,325
Issuance of common stock for exercise of stock options	371,123	3,710	262,313			219,060	266,023
Net income						219,060	219,060
Balance at December 31, 2004	10,129,457	101,294	2,925,496	(43,000)	(386,587)	(26,886,252)	(24,289,049)
Amortization of deferred compensation relating to restricted stock					100,340		100,340
Issuance of Common Stock for exercise of stock options	208,117	2,081	367,860				369,941
Repayment of note receivable from stockholder				43,000			43,000
Deferred compensation relating to issuance of stock options			1,284,473		(1,284,473)		—
Amortization of deferred compensation relating to stock options					90,489		90,489
Net loss						(7,157,486)	(7,157,486)
Balance at July 2, 2005 (unaudited)	<u>10,337,574</u>	<u>\$ 103,375</u>	<u>\$ 4,577,829</u>	<u>\$ —</u>	<u>\$ (1,480,231)</u>	<u>\$ (34,043,738)</u>	<u>\$ (30,842,765)</u>

See accompanying notes to consolidated financial statements

iROBOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended			Six Months Ended	
	December 31, 2002	December 31, 2003	December 31, 2004	June 30, 2004	July 2, 2005
	(unaudited)				
Cash flows from operating activities:					
Net income (loss)	\$ (10,773,994)	\$ (7,410,961)	\$ 219,060	\$ (3,000,629)	\$ (7,157,486)
Adjustments to reconcile net loss to net cash used in operating activities					
Depreciation and amortization	511,335	735,170	1,313,705	389,188	886,864
Loss on disposal of fixed assets	—	29,384	1,265	—	—
Interest expense relating to issuance of warrants	—	22,312	—	—	—
Amortization of deferred compensation	—	—	283,325	177,328	190,829
Changes in working capital— (use) source					
Accounts receivable and related party trade receivables	237,164	(7,481,472)	(6,298,751)	4,663,824	7,091,598
Unbilled revenue	(325,371)	(526,573)	368,759	832,041	(155,919)
Inventory	(1,829,773)	(8,795,412)	3,750,677	8,277,867	(4,730,540)
Other current assets	(434,970)	(146,481)	420,061	574,990	(79,370)
Accounts payable	3,869,832	1,908,212	12,799,653	(1,074,734)	30,752
Accrued expenses	219,778	2,582,888	1,017,271	(836,895)	209,441
Accrued compensation	679,609	295,001	1,118,462	138,127	(387,102)
Provision for contract settlement	2,361,055	1,377,835	(142,821)	(87,502)	48,326
Deferred revenue	1,787,035	5,952,843	(5,913,405)	(6,517,187)	740,214
Change in long-term liabilities	—	133,200	(66,600)	(66,600)	(66,600)
Net cash provided by (used in) operating activities	(3,698,300)	(11,324,054)	8,870,661	3,469,818	(3,378,993)
Cash flows from investing activities:					
Purchase of property and equipment	(448,412)	(1,329,913)	(3,222,446)	(758,315)	(1,384,561)
Cash flows from financing activities:					
Principal payments on capital lease obligations	(51,009)	(14,102)	—	—	—
Borrowings under revolving line of credit, net	—	1,338,980	(1,338,980)	(1,338,980)	—
Repayment of note receivable from stockholder	—	—	—	—	43,000
Proceeds from stock option exercises	32,894	12,448	266,024	225,724	369,941
Proceeds from issuance of restricted stock	—	—	301,281	301,281	—
Net proceeds from sale of preferred stock	—	12,922,735	9,944,366	(270)	—
Net cash provided by financing activities	(18,115)	14,260,061	9,172,691	(812,245)	412,941
Net increase in cash and cash equivalents	(4,164,827)	1,606,094	14,820,906	1,899,258	(4,350,613)
Cash and cash equivalents, at beginning of period	7,178,670	3,013,843	4,619,937	4,619,937	19,440,843
Cash and cash equivalents, at end of period	\$ 3,013,843	\$ 4,619,937	\$ 19,440,843	\$ 6,519,195	\$ 15,090,230
Supplemental disclosure of cash flow information					
Cash paid for interest	\$ 8,621	\$ 28,572	\$ 142,367	\$ 67,955	\$ 5,665
Cash paid for income taxes	14,756	14,206	123,941	—	6,800
Supplemental disclosure of noncash investing and financing activities					

During 2004, 2003 and 2002, the Company transferred \$186,011, \$16,960 and \$115,595, respectively, of inventory to fixed assets.
During the first six months of 2005 and 2004, the Company transferred \$140,489 and \$1,815, respectively, of inventory to fixed assets.

See accompanying notes to consolidated financial statements

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business

iRobot Corporation, formerly IS Robotics, Inc., was incorporated in 1990 to develop robotics and artificial intelligence technologies and apply these technologies in producing and marketing robots. The majority of the Company's revenue is generated from product sales, and government research and development contracts.

The Company is subject to risks common to companies in high-tech industries including, but not limited to, uncertainty of progress in developing technologies, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products and the need to obtain financing, if necessary.

Liquidity and Operations

The Company has generated losses from operations since inception through 2003, offset slightly by net income of \$219,060 in 2004. As a result, the Company has an accumulated deficit of \$26.9 million at December 31, 2004. To date, the Company has been dependent on equity financings to fund operations and has raised \$37.5 million, cumulatively, with its last round of financing totaling \$9.9 million in 2004 (Note 8). Management believes its existing cash balances will enable the Company to fund its operations through December 31, 2005. The Company's ultimate success is dependent upon its ability to obtain additional customers and continue to manage its expenditures. If the Company is unable to generate sufficient customer orders and manage its expenditures to meet its obligations as they become due, the Company will require additional financing in order to fund operations and achieve its intended business objectives.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Statements

The consolidated financial statements and related notes of the Company for the six months ended June 30, 2004 and July 2, 2005, respectively, are unaudited. Management believes the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position and results of operations in such periods. Results of operations for the six months ended July 2, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

Unaudited Pro Forma Presentation

Unaudited pro forma net loss per share is computed using the weighted average number of common shares outstanding, including the pro forma effects of automatic conversion of all outstanding redeemable convertible preferred stock into shares of the Company's common stock effective upon the assumed closing of the Company's proposed initial public offering as if such conversion had occurred at the date of original issuance.

Upon the closing of the Company's initial public offering of securities, all of the outstanding shares of Series A, B, C, D, E and F Convertible Preferred Stock will automatically convert on a one-for-one basis to 9,557,246 shares of the Company's common stock, assuming the aggregate proceeds to the Company are at least \$25.0 million. The unaudited pro forma presentation of the balance sheet has been prepared assuming the conversion of the convertible preferred stock into common stock as of July 2, 2005.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fiscal Year-End

Beginning in fiscal 2005, the Company operates and reports using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, the Company's fiscal quarters will end on the Saturday that falls closest to the last day of the third month of each quarter.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the time of purchase to be cash equivalents. The Company invests its excess cash primarily in money market funds of major financial institutions. Accordingly, its investments are subject to minimal credit and market risk. At December 31, 2004 and 2003, cash equivalents were comprised of money market funds totaling \$12,448,665 and \$3,750,512, respectively. These cash equivalents are carried at cost, which approximates fair value.

Revenue Recognition

The Company derives its revenue from product sales, government research and development contracts 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 consumer robotic devices under the terms of the customer agreement upon transfer of title to the customer, net of estimated returns, provided that collection is determined to be probable and no significant obligations remain. Sales to resellers are subject to agreements allowing for limited rights of return, rebates and price protection. Accordingly, the Company reduces revenue for its estimates of liabilities to these rights at the time the related sale is recorded. The estimates for returns are adjusted periodically based upon historical rates of returns, inventory levels in the channel and other related factors. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates. Through 2003, the Company recognized revenue on sales to certain distributors and retail customers upon their sale to the end-user when an allowance for future returns from the end-user could be reasonably estimated. In 2004, the Company recognized revenue on all sales to distributors and retail customers upon delivery of product and established a related allowance for future returns based upon historical experience. As a result of this change, the Company recorded revenue of approximately \$5.7 million in 2004 for products shipped prior to January 1, 2004.

Under cost-plus-fixed-fee (CPFF) type contracts, the Company recognizes revenue based on costs incurred plus a pro rata portion of the total fixed fee. Revenue on firm fixed price (FFP) contracts is recognized using the percentage-of-completion method. Costs and estimated gross profits on contracts are recorded as revenue as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs and funding. Changes in job performance, job conditions, and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to past performance in the current period. When the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period. Revenue earned in excess of billings, if any, is recorded as unbilled revenue. Billings in excess of revenue earned, if any, are recorded as deferred revenue.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for the estimated amount of accounts receivable that will not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Activity related to the allowance for doubtful accounts was as follows:

Balance at December 31, 2001	\$	—
Provision		30,000
Deduction		—
Balance at December 31, 2002		30,000
Provision		237,329
Deduction		(19,408)
Balance at December 31, 2003		247,921
Provision		(64,835)
Deduction		(133,086)
Balance at December 31, 2004	\$	50,000
Provision		—
Deduction		—
Balance at July 2, 2005	\$	50,000

Inventory

Inventory is stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. The Company maintains a reserve for inventory items to provide for an estimated amount of excess or obsolete inventory.

Activity related to the inventory reserve as follows:

Balance at December 31, 2001	\$	385,900
Provision		174,686
Deduction		(224,810)
Balance at December 31, 2002		335,776
Provision		2,214,656
Deduction		(181,878)
Balance at December 31, 2003		2,368,554
Provision		—
Deduction		(465,637)
Balance at December 31, 2004	\$	1,902,917
Provision		—
Deduction		(90,549)
Balance at July 2, 2005	\$	1,812,368

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property and Equipment

Property and equipment are recorded at cost and consist primarily of computer equipment, business applications software and machinery. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Estimated Useful Life</u>
Computer and research equipment	3 years
Furniture	5
Machinery	2-5
Business applications software	5
Capital leases and leasehold improvements	Term of lease

Expenditures for additions, renewals and betterments of plant and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. As assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of long-lived assets whenever events and changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. When indicators of impairment are present, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying business. The net book value of the underlying asset is adjusted to fair value if the sum of the expected discounted cash flows is less than book value. Fair values are based on estimates of market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk. There were no impairment charges recorded during any of the periods presented.

Research and Development

Costs incurred in the research and development of the Company's products are expensed as incurred.

Internal Use Software

The Company capitalizes costs associated with the development and implementation of software obtained for internal use in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1"). At December 31, 2004 and 2003, the Company had \$919,636 and \$630,323, respectively, of internal costs related to enterprisewide software included in fixed assets. Capitalized costs are being amortized over the assets' estimated useful lives. The Company has recorded \$171,623, \$111,945 and \$97,590 of amortization expense for the years ended December 31, 2004, 2003 and 2002, respectively.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, sales returns, bad debts, warranty claims, lease termination, inventory reserves, valuation of investments and income taxes. The Company bases these estimates on historical and anticipated

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Concentration of Credit Risk and Significant Customers

The Company maintains its cash in bank deposit accounts at a high quality financial institution. The individual balances, at times, may exceed federally insured limits. At December 31, 2004 and 2003, the Company exceeded the insured limit by \$19,177,227 and \$4,344,137, respectively.

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable. Management believes its credit policies are prudent and reflect normal industry terms and business risk. At December 31, 2004 and 2003, 15% and 14%, respectively, of the Company's accounts receivable were due from the federal government. At December 31, 2004, two other customers accounted for 21% and 14% of the Company's account receivable balance. At December 31, 2003, two other customers accounted for 21% and 19% of the Company's accounts receivable balance. For the year ended December 31, 2004, revenue from one customer, the federal government, represented 20% of total revenue. For the year ended December 31, 2003, revenue from the federal government represented 12% of total revenue. For the year ended December 31, 2002, revenue from the federal government represented 30% of total revenue, and revenue from two other customers represented 12% and 11% of total revenue.

Investment in Affiliates

The Company accounts for investments in affiliates under the equity method of accounting as provided in Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, if the Company owns less than 50% of the affiliate's outstanding capital stock and the Company has influence over the affiliate's daily operations. In accordance with equity method accounting, the Company records its proportionate shares of the affiliate's net income or loss. If the affiliate has cumulative losses, the Company's proportionate share is recorded as a loss in affiliate and as a reduction to the investment in affiliate. Losses are recorded up to the original value of the investment unless there are additional funding commitments. As of December 31, 2004, the Company maintains no investments in affiliates.

Stock-Based Compensation

The Company applies Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees*, and related interpretations ("APB No. 25"), in accounting for its stock-based compensation plan. Accordingly, compensation expense is recorded for options issued to employees in fixed amounts and with fixed exercise prices only to the extent that such exercise prices are less than the fair market value of the Company's common stock at the date of grant. The Company follows the disclosure provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation— Transition and Disclosure, an amendment of FASB Statement No. 123* ("SFAS No. 148"). All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123 and related interpretations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards under this plan and amortized on a straight-line basis, consistent with the methodology prescribed in SFAS No. 123, the Company's pro forma net loss would have been as follows:

	Fiscal Year Ended			Six Months Ended	
	December 31, 2002	December 31, 2003	December 31, 2004	June 30, 2004	July 2, 2005
				(unaudited)	
Net income (loss)					
As reported	\$ (10,773,994)	\$ (7,410,961)	\$ 219,060	\$ (3,000,629)	\$ (7,157,486)
Add back: Stock-based employee compensation expense reported in net loss	—	—	283,325	177,328	190,829
Less: Stock-based employee compensation expense determined under fair-value method for all awards	(28,917)	(52,863)	(394,102)	(222,411)	(361,895)
Pro forma income (loss)	<u>\$ (10,802,911)</u>	<u>\$ (7,463,824)</u>	<u>\$ 108,283</u>	<u>\$ (3,045,712)</u>	<u>\$ (7,328,552)</u>
Net income (loss) per share, as reported					
Basic	\$(2.00)	\$(0.79)	\$0.01	\$(0.31)	\$(0.72)
Diluted	\$(2.00)	\$(0.79)	\$0.01	\$(0.31)	\$(0.72)
Pro forma net income (loss) per share					
Basic	\$(2.00)	\$(0.80)	\$0.01	\$(0.32)	\$(0.73)
Diluted	\$(2.00)	\$(0.80)	\$0.01	\$(0.32)	\$(0.73)
Number of shares used in per share calculations					
Basic	5,390,679	9,351,880	9,659,993	9,530,022	10,007,932
Diluted	5,390,679	9,351,880	19,182,595	9,530,022	10,007,932

Since options vest over several years and additional option grants are expected to be made in future years, the pro forma results are not representative of the pro forma results for future years.

The weighted average fair value of each stock option granted in 2004 and 2003 was estimated as \$0.416 and \$0.314, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2003	2004
Risk-free interest rate	2.8%	3.0%	3.4%
Expected dividend yield	—	—	—
Expected life	5 years	5 years	5 years
Expected volatility	—	—	—

Earnings Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period, excluding the dilutive effects of common stock equivalents. Common stock equivalents include stock options, warrants, restricted stock and convertible securities. Diluted net income per share assumes the conversion of all outstanding shares of redeemable convertible preferred stock using the "if converted" method, if dilutive, and includes the dilutive effect of common stock equivalents under the treasury stock method.

Advertising Expense

The Company expenses advertising costs as they are incurred. During the years ended December 31, 2004, 2003 and 2002, advertising expense totaled \$6,773,551, \$9,619,451 and \$635,401, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Lease Termination Costs

In accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, the Company recorded a charge in 2003 related to the termination of an operating lease for one of its manufacturing facilities. This charge includes approximately \$212,000 of remaining lease payments in addition to costs associated with vacating the facility as required by the lease. As of December 31, 2004, \$37,879 is included within accrued expenses (Note 5) in the accompanying balance sheet.

Comprehensive Income (Loss)

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive income (loss) and its components in financial statements. The Company's comprehensive income (loss) is equal to the Company's net income (loss) for all periods presented.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R, which requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the Company's consolidated statement of operations. The accounting provisions of SFAS No. 123R are effective for fiscal years beginning after June 15, 2005. The Company will be required to adopt SFAS No. 123R for its fiscal quarter beginning January 1, 2006. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. The Company has not yet determined whether the adoption of SFAS No. 123R will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123. The Company is evaluating the requirements under SFAS No. 123R and expects the adoption to have a significant adverse impact on its consolidated operating results.

3. Inventory

Inventory consists of the following at:

	<u>December 31,</u>		<u>July 2,</u>
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Raw materials	\$ 1,510,995	\$ 427,181	\$ 707,465
Work in process	145,919	—	—
Finished goods	9,762,697	7,241,753	11,692,009
	<u>\$ 11,419,611</u>	<u>\$ 7,668,934</u>	<u>\$ 12,399,474</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Property and Equipment

Property and equipment consists of the following at:

	December 31,		July 2, 2005 (unaudited)
	2003	2004	
Computer and equipment	\$ 1,682,876	\$ 2,826,932	\$ 3,997,600
Furniture	59,954	160,942	164,298
Machinery	935,820	2,544,330	2,593,176
Leasehold improvements	194,700	272,107	350,045
Software purchased for internal use	630,323	919,636	1,003,390
Leased equipment	144,682	144,682	144,682
	<u>3,648,355</u>	<u>6,868,629</u>	<u>8,253,191</u>
Less: accumulated depreciation and amortization	2,043,322	3,356,119	4,242,984
	<u>\$ 1,605,033</u>	<u>\$ 3,512,510</u>	<u>\$ 4,010,207</u>

Depreciation and amortization expense for the years ended December 31, 2004, 2003 and 2002 was \$1,313,705, \$735,170 and \$511,335, respectively. Accumulated amortization on leased equipment was \$144,682 at both December 31, 2004 and 2003.

5. Accrued Expenses

Accrued expenses consist of the following at:

	December 31,		July 2, 2005 (unaudited)
	2003	2004	
Accrued warranty	\$ 1,522,228	\$ 1,398,382	\$ 2,028,425
Accrued lease termination costs	326,324	37,879	—
Accrued rent	389,687	339,172	318,058
Accrued sales commissions	200,375	554,919	312,165
Accrued accounting fees	171,000	161,000	95,563
Accrued co-op advertising allowance	64,931	1,176,791	1,142,811
Accrued other	128,121	151,794	132,356
	<u>\$ 2,802,666</u>	<u>\$ 3,819,937</u>	<u>\$ 4,029,378</u>

6. Revolving Line of Credit

In January 2003, the Company entered into a \$2,000,000 secured revolving credit agreement (the "Credit Agreement") with a bank. Borrowings under the Credit Agreement are collateralized by the Company's assets with the exception of intellectual property, as defined, and bears interest at the bank's prime rate plus 1.25%. The Credit Agreement was originally scheduled to mature in January 2004. Under the Credit Agreement, as amended, the Company is subject to several financial covenants including maintaining a minimum tangible net worth. In February 2003, the Company entered into an amendment to the Credit Agreement which reduced the tangible net worth (deficit) requirement to \$(1,700,000).

In April 2004, the Company entered into an amendment to the Credit Agreement which further reduced the tangible net worth (deficit) requirement to \$(2,000,000), increased the amount of the facility to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$6,250,000, decreased the applicable interest rate to the bank's prime rate plus 1.00% and extended the maturity date to March 2006. The Company is in compliance with the covenants at December 31, 2004.

7. Common Stock

Common stockholders are entitled to one vote for each share held and to receive dividends if and when declared by the Board of Directors and subject to and qualified by the rights of holders of the preferred stock. Upon dissolution or liquidation of the Company, holders of common stock will be entitled to receive all available assets subject to any preferential rights of any then outstanding preferred stock.

8. Redeemable Convertible Preferred Stock

The Company's redeemable convertible preferred stock, \$0.01 par value, is comprised of the following:

	December 31,	
	2003	2004
Series F; 1,412,430 shares authorized, issued and outstanding at December 31, 2004, net of issuance costs (liquidation preference \$10,000,004)	\$ —	\$ 9,944,637
Series E; 2,799,353 shares authorized, issued and outstanding at December 31, 2004 and 3,002,069 shares authorized, 2,799,353 issued and outstanding at December 31, 2003, net of issuance costs (liquidation preference \$13,044,985)	12,922,735	12,922,465
Series D; 1,870,908 and 2,500,000 shares authorized, 1,870,908 issued and outstanding at December 31, 2004 and 2003, net of issuance costs (liquidation preference \$7,000,002)	6,766,550	6,766,550
Series C; 1,470,000 shares authorized, issued and outstanding at December 31, 2004 and 2003, net of issuance costs (liquidation preference \$5,500,005)	5,478,244	5,478,244
Series B; 668,185 shares authorized, issued and outstanding at December 31, 2004 and 2003, net of issuance costs (liquidation preference \$1,000,006)	966,761	966,761
Series A; 1,336,370 shares authorized, issued and outstanding at December 31, 2004 and 2003, net of issuance costs (liquidation preference \$1,550,189)	1,427,579	1,427,579
	<u>\$ 27,561,869</u>	<u>\$ 37,506,236</u>

The Series A redeemable convertible preferred stock (the "Series A"), the Series B redeemable convertible preferred stock (the "Series B"), the Series C redeemable convertible preferred stock (the "Series C"), the Series D redeemable convertible preferred stock (the "Series D"), the Series E redeemable convertible preferred stock (the "Series E"), and the Series F redeemable convertible preferred stock (the "Series F") are hereinafter referred to collectively as the "preferred stock." At December 31, 2004, the preferred stock had the following characteristics:

Conversion Rights

Each share of preferred stock is convertible, at the option of the holder, into one share of common stock of the Company, subject to certain anti-dilution adjustments. The preferred stock will automatically convert into common stock immediately prior to the closing of a qualified underwritten public offering having total gross proceeds to the Company of at least \$25.0 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dividend Rights

Holders of the preferred stock are not entitled to dividends unless declared by the Company's Board of Directors. Any dividends declared must be distributed to the holders of the preferred stock as if their preferred shares were the equivalent amount of common shares as if converted, and no dividends may be paid on the common stock until any and all dividends on the preferred shares have been paid.

Voting Rights

The holders of preferred stock generally vote together either by class, with other holders of preferred stock as a single class, or together with the holders of common stock on all matters and are entitled to one vote for each share of preferred stock held.

Liquidation Rights

In the event of liquidation, dissolution or winding-up of the Company (a "liquidation event"), (i) the holders of Series E are entitled to receive, prior and in preference to any distribution to the holders of Series A, Series B, Series C, Series D, and common stock, the greater of (a) \$4.66 per share of Series E plus any declared but unpaid dividends and (b) the amount per share of common stock which holders of Series E would have received if such holders had converted their shares into common stock immediately prior to the liquidation event; and (ii) the holders of Series F are entitled to receive, prior and in preference to any distribution to the holders of Series A, Series B, Series C, Series D, and common stock, the greater of (a) \$7.08 per share of Series F plus any declared but unpaid dividends and (b) the amount per share of common stock which holders of Series F would have received if such holders had converted their shares into common stock immediately prior to the liquidation event. If the amounts available to pay the Series E and Series F shareholders (collectively "holders of Senior Preferred Stock") are insufficient to pay the full amounts as described above, the assets shall be distributed ratably to the holders of Senior Preferred Stock in proportion to their full preferential amounts which they are entitled to receive.

Upon satisfaction of the rights of the holders of Senior Preferred Stock, the holders of Series A, Series B, Series C, and Series D (collectively "holders of Junior Preferred Stock") are entitled to receive, prior and in preference to any distribution to the holders of common stock, the greater of (a) \$1.16 per share of Series A plus any unpaid dividends, \$1.4966 per share of Series B plus any unpaid dividends, \$3.7415 per share of Series C plus any unpaid dividends and \$3.7415 per share of Series D plus any unpaid dividends and (b) the amount per share of common stock which holders of Junior Preferred Stock would have received if such holders had converted their shares into common stock immediately prior to the liquidation event. If the amounts available to pay the holders of Junior Preferred Stock in full are not enough, the assets shall be distributed ratably to all holders of Junior Preferred Stock in proportion to their full preferential amounts which they are entitled to receive.

Change in Control

Upon the occurrence of a consolidation, merger or acquisition of the Company or a sale of all or substantially all of the assets of the Company or a sale of a majority of the voting securities of the Company in one transaction or a series of related transactions, a liquidation, dissolution or winding-up of the affairs of the Company shall be deemed to have occurred and the holders of preferred stock shall be paid the liquidation amount for their shares.

9. Note Receivable from Stockholder

In May 1999, the Company issued a note receivable to a consultant for the purchase of 200,000 common shares at \$0.24 per share. The note accrues interest on June 30 and December 31 at 8% per annum. Interest is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

payable semiannually in arrears on June 30 and December 31 of each year, and the principal is payable in full on the earlier of May 15, 2005, or immediately prior to an initial public offering. The remaining note receivable balance of \$43,000 is included as a reduction of stockholders' equity at December 31, 2004.

10. Stock Option Plan

Under the Company's 1994 Stock Option Plan (the "1994 Plan"), as amended, 8,785,465 shares of the Company's common stock were reserved for issuance to directors, officers, employees and consultants of the Company. Options may be designated and granted as either "Incentive Stock Options" or "Nonstatutory" Stock Options. Eligibility for Incentive Stock Options ("ISOs") is limited to those individuals whose employment status would qualify them for the tax treatment associated with ISOs in accordance with the Internal Revenue Code. The 1994 Plan expired November 16, 2004.

In October 2001, the Company adopted the 2001 Special Stock Option Plan (the "2001 Plan"). Under the 2001 Plan, the Board authorized the issuance of options to purchase 642,310 shares of previously authorized common stock under modified vesting requirements. The 2001 Plan is administered by a Committee of the Board of Directors. Options granted to employees under the 2001 Plan may be designated as ISOs or Nonstatutory Stock Options. In 2004 and 2003, there were 571,405 and 40,000 options granted, respectively, under the 2001 Plan.

During 2004, the Company issued 25,899 and 371,685 restricted shares of common stock under the 1994 Plan and 2001 Plan, respectively, all of which were outstanding at December 31, 2004. Deferred compensation of \$669,912 was recorded in association with the issuance of these restricted shares, of which \$283,325 was expensed in 2004. The remaining balance of \$386,587 will be expensed in 2005 through 2007. Upon termination of the stockholder's business relationship with the Company, per the terms of the restricted stock agreements, the Company 1) shall purchase all unvested shares from the stockholder at the price paid for them and 2) may purchase all but not less than all of the stockholder's vested shares at the greater of i) the price paid for them and ii) the product of the Fair Market Value (as defined in the 2001 Plan) at the time of repurchase and the number of vested shares to be repurchased.

Immediately upon expiration of the 1994 Plan, the Company adopted the 2004 Stock Option and Incentive Plan (the "2004 Plan"). Under the 2004 Plan, 1,189,423 shares of the Company's common stock were reserved for issuance to directors, officers, employees and consultants of the Company. In addition, stock options returned to the 1994 Plan, in accordance therewith, after November 16, 2004, as a result of the expiration, cancellation or termination, are automatically made available for issuance under the 2004 Plan. The aggregate number of shares that may be issued pursuant to the 2004 Plan shall not exceed 3,695,223 shares. Options may be designated and granted as either "Incentive Stock Options" or "Nonstatutory" Stock Options. Eligibility for ISOs is limited to those individuals whose employment status would qualify them for the tax treatment associated with ISOs in accordance with the Internal Revenue Code.

Options granted under the 1994 Stock Option Plan, the 2001 Plan and the 2004 Plan (the "Plans") are subject to terms and conditions as determined by the Compensation Committee of the Board of Directors, including vesting periods. Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over periods from 0 to 5 years, and expire upon the earlier of 10 years from the date of grant or 60 or 90 days from employee termination. The exercise price for each ISO grant is determined by the Board of Directors of the Company to be equal to the fair value of the common stock on the date of grant. In reaching this determination at the time of each such grant, the Board considers a broad range of factors, including the illiquid nature of an investment in the Company's common stock, the Company's historical financial performance, the Company's future prospects and the value of preferred stock based on recent financing activities. The exercise price of nonstatutory options may be set at a price other than the fair market value of the common stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company applies APB 25 and related interpretations in accounting for stock-based compensation.

Stock option plan activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2002	1,579,708	\$ 0.584
Granted	494,455	2.294
Exercised	(68,990)	0.171
Canceled	(21,715)	1.034
Outstanding at December 31, 2003	1,983,458	1.019
Granted	1,544,959	2.170
Exercised	(768,707)	0.737
Canceled	(154,710)	1.790
Outstanding at December 31, 2004	<u>2,605,000</u>	<u>1.770</u>
Weighted average fair value of options granted during 2004		\$ 0.416
Options available for future grant at December 31, 2004	290,973	

The following table summarizes information about stock options outstanding at December 31, 2004:

Exercise Price	Number Outstanding	Options Outstanding Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	
				Number Exercisable	Weighted Average Exercise Price
\$0.0002	378,710	2.52years	\$ 0.0002	378,710	\$ 0.0002
0.24	191,380	4.25	0.24	191,380	0.24
0.50	7,940	4.93	0.50	7,940	0.50
0.55	247,038	7.97	0.55	58,018	0.55
1.87	219,028	5.96	1.87	166,278	1.87
2.33	901,654	8.96	2.33	201,333	2.33
2.78	614,675	9.55	2.78	2,050	2.78
4.60	44,575	9.92	4.60	—	—
\$0.0002-\$4.60	<u>2,605,000</u>	<u>7.48</u>	<u>\$ 1.770</u>	<u>1,005,709</u>	<u>\$ 0.863</u>

11. Warrants

Pursuant to a 1998 development agreement, the Company granted to Hasbro, Inc. warrants to purchase 1,114,115 shares of common stock. Warrants to purchase 481,095 common shares at \$2.08 per share (the "Initial Warrant") were immediately exercisable and were scheduled to expire on October 30, 2003. The warrants included a put option which allows the holder to require cash settlement of the warrant by the Company at a price equal to the difference between the fair market value and the exercise price of the warrants on that date. The fair value of the warrants granted was determined to be approximately \$7,000 using the Black-Scholes option-pricing model and the Company recorded the full value of these warrants as research and development expense in 1998. In accordance with Emerging Issues Task Force Issue No. 88-9, *Put Warrants*, the Company recorded the fair value of the instrument as a liability and subsequently adjusts the value of the warrants to the highest redemption price of the warrant.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Warrants to purchase up to 633,020 common shares at \$1.97 per share (the "Additional Warrant") were scheduled to become exercisable beginning 30 days prior to a public offering or a change in control, subject to the occurrence of certain events, and ending immediately prior to the public offering or change in control. The fair value of these warrants on the date they first became exercisable would have been charged to expense at that time.

On October 30, 2003, Hasbro provided notice to the Company that it intended to exercise the Initial Warrant, and iRobot issued to Hasbro 51,619 shares. On December 19, 2003, pursuant to a Stock Repurchase and Warrant Termination Agreement, iRobot repurchased 51,619 shares of Company common stock for \$120,272, in exchange for final termination of the Initial Warrant and the Additional Warrant.

Under the terms of the January 30, 2003 Credit Agreement with a bank (Note 6), the Company issued warrants to the bank to purchase 18,000 shares of common stock at an approximate exercise price of \$3.74 per share. The warrants are subject to certain adjustments and may be exercised at any time until January 29, 2010. The estimated fair value of the warrants of \$22,312 was determined using the Black-Scholes option-pricing model. For this purpose, the Company assumed a risk-free rate of return of 3.12%; an expected life of 2 years; 100% volatility and no dividends. The Company recorded the estimated fair value of the warrants as additional paid-in-capital and other assets and amortized the fair value to interest expense over the eleven months outstanding under the Credit Agreement in 2003.

12. Income Taxes

The components of income tax expense were as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Current			
Federal	\$ —	\$ 33,285	\$ 89,794
State	14,695	2,942	54,381
	<u>\$ 14,695</u>	<u>\$ 36,227</u>	<u>\$ 144,175</u>

The components of net deferred tax assets are as follows at December 31, 2004 and 2003:

	<u>2003</u>	<u>2004</u>
Deferred tax asset		
Net operating loss carryforwards	\$ 4,997,578	\$ 5,184,200
Tax credits	735,387	1,019,900
Reserves and accruals	5,313,241	5,228,000
Total deferred tax asset	<u>11,046,206</u>	<u>11,432,100</u>
Valuation allowance	(11,046,206)	(11,432,100)
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

The Company has provided a full valuation allowance for the deferred tax assets since it is more likely than not that these future benefits will not be realized. If the Company achieves future profitability, a significant portion of these deferred tax assets could be available to offset future income taxes. Of the \$11,432,100 valuation allowance at December 31, 2004, \$31,600 relating to deductions for stock option compensation will be credited to additional paid-in capital upon realization.

At December 31, 2004, the Company had available net operating loss carryforwards for federal and state purposes of \$13,086,400 and \$11,719,707, respectively. The federal net operating loss carryforwards expire at

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

various dates from 2020 through 2024. The state net operating loss carryforwards began to expire in 2005. The Company also had available research and development credit carryforwards to offset future federal and state taxes of \$623,500 and \$472,900, respectively, which expire at various dates from 2012 through 2024. Under the Internal Revenue Code, certain substantial changes in the Company's ownership could result in an annual limitation of the amount of net operating loss and tax credit carryforwards which can be utilized in future years.

The reconciliation of the expected tax (benefit) expense (computed by applying the federal statutory rate to income before income taxes) to actual tax expense was as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Expected federal income tax	\$ (3,770,898)	\$ (2,521,382)	\$ 123,531
Permanent items	5,914	21,874	45,112
State taxes	(551,993)	(411,920)	(302,183)
Credits	75,011	(165,387)	(165,600)
Other	—	—	57,488
Increase in valuation allowance	4,256,661	3,113,042	385,827
	<u>\$ 14,695</u>	<u>\$ 36,227</u>	<u>\$ 144,175</u>

13. Commitments and Contingencies

Legal

The Company has received a letter from a UK Government agency (the "Customer") dated February 9, 2004, attempting to terminate a contract for the design, development, production and support of a number of man-portable remote control vehicles for use in explosive ordnance disposal operations. The Company entered into the contract on May 23, 2001, and has substantially completed the product design and development phase of the work. The Company received payments based upon achieving a number of contract milestones and has recognized revenue based on progress under the percentage-of-completion method of accounting. In addition to the milestone payments, the Customer has advanced the Company funds to purchase long-lead inventory components in advance of the production contemplated in the contract. The Company has been paid 3,673,843 Great Britain Pounds (approximately \$7.0 million at the current exchange rate), which includes 671,848 Great Britain Pounds (approximately \$1.3 million) for long-lead inventory items. In its termination letter, the Customer has demanded a refund of all monies paid under the contract. The Company has engaged legal counsel in anticipation of a negotiated settlement with the Customer. Management believes that it has adequately provided for the possibility of refunding some portion of the payments made to date under the contract.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Lease Obligations

The Company leases its facilities and certain equipment. Rental expense under operating leases for 2004, 2003 and 2002 amounted to \$934,482, \$1,101,384 and \$486,612, for facilities and \$926, \$20,001 and \$22,998 for equipment, respectively. Future minimum rental payments under operating leases were as follows as of December 31, 2004:

	Operating Leases
2005	\$ 929,180
2006	771,989
2007	746,630
2008	766,394
2009	—
Thereafter	—
Total minimum lease payments	\$ 3,214,193

Guarantees and Indemnification Obligations

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any patent, copyright, trade secret or other proprietary right infringement claim by any third party with respect to the Company's software. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2004.

Warranty

The Company provides warranties on most products and has established a reserve for warranty based on identified warranty costs. The reserve is included as part of accrued expenses (Note 5) in the accompanying balance sheets. The rollforward of activity in the warranty accrual for the year ending December 31, 2004 is as follows:

Balance, December 31, 2002	\$ 8,063
Provisions	1,514,165
Warranty settlements	—
Balance, December 31, 2003	1,522,228
Provisions	1,277,811
Warranty settlements	(1,401,657)
Balance, December 31, 2004	1,398,382
Provisions	2,144,127
Warranty settlements	(1,514,084)
Balance, July 2, 2005 (unaudited)	\$ 2,028,425

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Cash

At December 31, 2004 and 2003, cash totaling \$82,000 was pledged as security for outstanding letters of credit or certain operating leases and was included as a component of other assets in the accompanying balance sheets.

14. Employee Benefits

The Company sponsors a retirement plan under Section 401(k) of the Internal Revenue Code (the "Retirement Plan"). All Company employees, with the exception of temporary and contract employees, are eligible to participate in the Retirement Plan after satisfying age and length of service requirements prescribed by the plan. Under the Retirement Plan, employees may make tax-deferred contributions, and the Company, at its sole discretion, and subject to the limits prescribed by the IRS, may make either a nonelective contribution on behalf of all eligible employees or a matching contribution on behalf of all plan participants.

The Company elected to make a matching contribution of approximately \$267,000, \$186,000 and \$172,000 for the plan years ended December 31, 2004, 2003 and 2002 ("Plan-Year 2004," "Plan-Year 2003" and "Plan-Year 2002"), respectively. The employer contribution represents a matching contribution at a rate of 50% of each employee's first six percent contribution. Accordingly, each employee participating during Plan-Year 2004, Plan-Year 2003 and Plan-Year 2002 is entitled up to a maximum of three percent of his or her eligible annual payroll. The employer matching contribution for Plan-Year 2004 was paid into the Retirement Plan in March 2005.

15. Related Party Transactions

The Company entered into a research and development contract with Intelligent Inspection Corporation ("IIC") effective November 1999 whereby IIC agreed to pay costs incurred by the Company plus a fixed fee of 10%. Revenue from IIC was approximately \$1.2 million during 2002. The Company has entered into subsequent agreements with similar terms. In December 2002, the officers and directors of the Company holding 22% of the outstanding voting stock of IIC donated their shares to a third party as a charitable contribution. At December 31, 2003, the Company owns approximately 6% of the outstanding voting stock of IIC.

For all periods presented, the Company has not recorded any losses related to the investment in IIC because the carrying value of the Company's investment in IIC has been zero and the Company has no obligation to fund IIC.

As of December 31, 2003, the Company had \$121,364 of outstanding receivables from IIC, of which 100% was reserved as uncollectible. Operations of IIC have been suspended. During 2004, the Company wrote off this outstanding receivable and no longer maintains any related party transactions.

16. Business Segment Information

The Company operates in two reportable segments, the consumer business and government and industrial business. The nature of products and types of customers for the two segments vary significantly. As such, the segments are managed separately.

Consumer

The Company's consumer business offers products through a network of retail businesses throughout the U.S. and to certain countries through international distributors. The Company's consumer segment includes mobile robots used in the maintenance of domestic households sold primarily to retail outlets.

iROBOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Government and Industrial

The Company's government and industrial division offers products through a small U.S. government-focused sales force, while products are sold to a limited number of countries other than the United States through international distribution. The Company's government and industrial products are robots used by various U.S. and foreign governments, primarily for reconnaissance and bomb disposal missions.

Other

In 2002, the Company consisted of numerous, small units that were not operating in any clearly defined business segments. It would not be practicable to prepare 2002 revenue and cost of revenue on a basis comparable to the segment data in 2003, 2004 and 2005.

The table below presents segment information about revenue, cost of revenue and gross profit:

	Fiscal Year Ended			Six Months Ended	
	December 31, 2002	December 31, 2003	December 31, 2004	June 30, 2004 (unaudited)	July 2, 2005
Revenue:					
Consumer	\$ —	\$ 43,073,149	\$ 71,332,584	\$ 19,400,585	\$ 19,573,344
Government & Industrial	—	11,243,003	23,231,496	8,777,533	23,383,198
Other	14,816,508	—	479,069	431,430	62,037
Total revenue	<u>14,816,508</u>	<u>54,316,152</u>	<u>95,043,149</u>	<u>28,609,548</u>	<u>43,018,579</u>
Cost of revenue:					
Consumer	—	27,386,629	48,281,833	12,279,393	14,497,592
Government & Industrial	—	9,950,231	19,307,902	7,537,198	18,034,011
Other	16,756,635	—	101,990	—	(11,118)
Total cost of revenue	<u>16,756,635</u>	<u>37,336,860</u>	<u>67,691,725</u>	<u>19,816,591</u>	<u>32,520,485</u>
Gross Profit:					
Consumer	—	15,686,520	23,050,751	7,121,192	5,075,752
Government & Industrial	—	1,292,772	3,923,594	1,240,335	5,349,187
Other	(1,940,127)	—	377,079	431,430	73,155
Total gross profit	<u>\$ (1,940,127)</u>	<u>\$ 16,979,292</u>	<u>\$ 27,351,424</u>	<u>\$ 8,792,957</u>	<u>\$ 10,498,094</u>

17. Subsequent Event

On May 26, 2005, the Company obtained a working capital line of credit with a bank under which the Company can borrow up to \$20.0 million, including a \$2.0 million sub-limit for equipment financing. Interest accrues at a variable rate based on prime or published LIBOR rates. The line expires on May 26, 2007 at which time all advances will be immediately due and payable. Borrowings are secured by substantially all of the Company's assets other than its intellectual property. Under the terms of this credit facility, the Company is required to comply with certain financial covenants.

iRobot[®]

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than the underwriting discount, payable by us in connection with the sale of common stock being registered. All amounts are estimated except the SEC registration fee and the NASD filing fees.

SEC registration fee	\$	13,536
NASD filing fee		12,000
NASDAQ National Market listing fee		*
Printing and engraving expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Blue Sky fees and expenses (including legal fees)		*
Transfer agent and registrar fees and expenses		*
Miscellaneous		*
Total	\$	*

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145(a) of the Delaware General Corporation Law provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the Delaware General Corporation Law provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or other adjudicating court shall deem proper.

Section 145(g) of the Delaware General Corporation Law provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of

another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the Delaware General Corporation Law.

Article VII of our amended and restated certificate of incorporation (the "Charter"), provides that no director of our company shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) in respect of unlawful dividend payments or stock redemptions or repurchases, or (4) for any transaction from which the director derived an improper personal benefit. In addition, our Charter provides that if the Delaware General Corporation Law is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of our company shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Article VII of the Charter further provides that any repeal or modification of such article by our stockholders or an amendment to the Delaware General Corporation Law will not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or modification of a director serving at the time of such repeal or modification.

Article V of our amended and restated by-laws (the "By-Laws"), provides that we will indemnify each of our directors and officers and, in the discretion of our board of directors, certain employees, to the fullest extent permitted by the Delaware General Corporation Law as the same may be amended (except that in the case of an amendment, only to the extent that the amendment permits us to provide broader indemnification rights than the Delaware General Corporation Law permitted us to provide prior to such the amendment) against any and all expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by the director, officer or such employee or on the director's, officer's or employee's behalf in connection with any threatened, pending or completed proceeding or any claim, issue or matter therein, to which he or she is or is threatened to be made a party because he or she is or was serving as a director, officer or employee of our company, or at our request as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. Article V of the By-Laws further provides for the advancement of expenses to each of our directors and, in the discretion of the board of directors, to certain officers and employees.

In addition, Article V of the By-Laws provides that the right of each of our directors and officers to indemnification and advancement of expenses shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of the Charter or By-Laws, agreement, vote of stockholders or otherwise. Furthermore, Article V of the By-Laws authorizes us to provide insurance for our directors, officers and employees, against any liability, whether or not we would have the power to indemnify such person against such liability under the Delaware General Corporation Law or the provisions of Article V of the By-Laws.

In connection with the sale of common stock being registered hereby, we intend to enter into indemnification agreements with each of our directors and our executive officers. These agreements will provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and the Charter and By-Laws.

We also maintain a general liability insurance policy which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our

officers and persons who control us within the meaning of the Securities Act of 1933, as amended, against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act:

(a) Issuances of Capital Stock.

In February, March and May 2003, we issued and sold an aggregate of 2,799,353 shares of our Series E convertible preferred stock to 30 investors for an aggregate purchase price of \$13,044,985.

In November 2004, we issued and sold an aggregate of 1,412,430 shares of our Series F convertible preferred stock to 38 investors for an aggregate purchase price of \$10,000,004.

No underwriters were used in the foregoing transactions. All sales of securities described above were made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act (and/or Regulation D promulgated thereunder) for transactions by an issuer not involving a public offering. All of the foregoing securities are deemed restricted securities for the purposes of the Securities Act.

(b) Grants and Exercises of Stock Options.

Since July 2, 2002, we have granted stock options to purchase 2,672,010 shares of common stock with exercise prices ranging from \$0.55 to \$4.96 per share, to employees, directors and consultants pursuant to our stock option plans. Of these options, 359,510 have been exercised for an aggregate consideration of \$535,909 as of July 2, 2005. The issuance of common stock upon exercise of the options was exempt either pursuant to Rule 701, as a transaction pursuant to a compensatory benefit plan, or pursuant to Section 4(2), as a transaction by an issuer not involving a public offering. The common stock issued upon exercise of options are deemed restricted securities for the purposes of the Securities Act.

Item 16. Exhibits.

(a) See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules

None.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Burlington, Commonwealth of Massachusetts on July 27, 2005.

iROBOT CORPORATION

By: _____ /s/ Colin M. Angle
Colin M. Angle
Chief Executive Officer and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned directors and officers of iRobot Corporation (the "Company"), hereby severally constitute and appoint Colin M. Angle, Helen Greiner and Geoffrey P. Clear, and each of them singly, our true and lawful attorneys, with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below, the registration statement on Form S-1 filed herewith, and any and all pre-effective and post-effective amendments to said registration statement, and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, in connection with the registration under the Securities Act of 1933, as amended, of equity securities of the Company, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on July 27, 2005:

<u>Signature</u>	<u>Title(s)</u>
<u>/s/ Colin M. Angle</u> Colin M. Angle	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Helen Greiner</u> Helen Greiner	President and Chairman of the Board
<u>/s/ Geoffrey P. Clear</u> Geoffrey P. Clear	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Accounting Officer)
<u>/s/ Ronald Chwang</u> Ronald Chwang	Director
<u>/s/ Jacques S. Gansler</u> Jacques S. Gansler	Director
<u>/s/ Rodney A. Brooks</u> Rodney A. Brooks	Director
<u>/s/ Andrea Geisser</u> Andrea Geisser	Director
<u>/s/ George C. McNamee</u> George C. McNamee	Director
<u>/s/ Peter Meekin</u> Peter Meekin	Director

EXHIBIT INDEX

Number	Description
1.1*	Form of Underwriting Agreement
3.1*	Amended and Restated Certificate of Incorporation of the Registrant
3.2*	Form of Second Amended and Restated Certificate of Incorporation of the Registrant (to be effective upon the completion of the offering)
3.3*	Amended and Restated By-laws of the Registrant
4.1*	Specimen Stock Certificate for shares of the Registrant's Common Stock
5.1*	Opinion of Goodwin Procter LLP
10.1	Fifth Amended and Restated Registration Rights Agreement by and among the Registrant, the Investors and the Stockholders named therein, dated as of November 10, 2004
10.2*	Form of Indemnification Agreement between the Registrant and its Directors and Officers
10.3†*	Registrant's 2005 Incentive Compensation Plan
10.4†	Amended and Restated 1994 Stock Plan and forms of agreements thereunder
10.5†*	Amended and Restated 2001 Special Stock Option Plan and forms of agreements thereunder
10.6†*	Amended and Restated 2004 Stock Option and Incentive Plan and forms of agreements thereunder
10.7*	Lease Agreement between the Registrant and Burlington Crossing Office LLC for the premises located at 63 South Avenue, Burlington, Massachusetts, dated as of October 29, 2002
10.8	Warrant to Purchase Common Stock of the Registrant issued to Silicon Valley Bank, dated as of January 30, 2003
10.9	Loan and Security Agreement between the Registrant and Fleet National Bank, dated as of May 26, 2005
10.10†*	Employment Agreement between the Registrant and Colin Angle, dated as of January 1, 1997
10.11†*	Employment Agreement between the Registrant and Helen Greiner, dated as of January 1, 1997
10.12†*	Employment Agreement between the Registrant and Geoffrey P. Clear, dated as of March 28, 2003
10.13†*	Employment Agreement between the Registrant and Joseph W. Dyer, dated as of February 18, 2004
10.14†*	Employment Agreement between the Registrant and Gregory F. White, dated as of February 18, 2004
10.15†*	Independent Contractor Agreement between the Registrant and Rodney Brooks, dated as of December 30, 2002
10.16	Government Contract DAAE07-03-9-F001 (Small Unmanned Ground Vehicle)
10.17	Government Contract N00174-03-D-0003 (Man Transportable Robotic System)
23.1*	Consent of Goodwin Procter LLP (included in Exhibit 5.1)
23.2	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney (included in page II-5)

* To be filed by amendment.

† Indicates a management contract or any compensatory plan, contract or arrangement.

FIFTH AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

THIS FIFTH AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made as of this 10th day of November, 2004 by and among (1) iRobot Corporation, a Delaware corporation (the "Company"); (2) Rodney Brooks, Colin M. Angle, Helen Greiner, David Adler and Grinnell More (each, a "Founder" and collectively, the "Founders"); (3) Hasbro, Inc., a Rhode Island corporation ("Hasbro"); (4) Acer Technology Venture Fund L.P., a Cayman Islands limited partnership ("Acer"); (5) First Albany Companies, Inc., a New York corporation ("FAC"); (6) the holders of the Company's Series C Convertible Preferred Stock, \$.01 par value per share (the "Series C Preferred Stock") set forth on Schedule I hereto (collectively, the "Series C Investors"); (7) the holders of the Company's Series D Convertible Preferred Stock, \$.01 par value per share (the "Series D Preferred Stock") set forth on Schedule I hereto (collectively, the "Series D Investors"), (8) the holders of the Company's Series E Convertible Preferred Stock, \$.01 par value per share (the "Series E Preferred Stock") set forth on Schedule I hereto, (9) the holders of the Company's Series F Convertible Preferred Stock, \$.01 par value per share (the "Series F Investors") set forth on Schedule I attached hereto and, from and after the time that it becomes a party to this Agreement by execution of a counterpart signature page in substantially the form attached as Exhibit A countersigned by the Company (a "Counterpart Signature Page"), each additional holder of Series F Preferred Stock executing a Counterpart Signature Page (each of Acer, FAC, Hasbro, the Series C Investors, the Series D Investors, the Series E Investors and the Series F Investors being referred to herein individually as an "Investor" and all collectively being referred to as the "Investors"); (10) the stockholders identified on Schedule I hereto as the Additional Stockholders; and (11) any other stockholder, warrant holder or option holder who from time to time becomes a party to this Agreement by execution of a Joinder Agreement in the form attached as Exhibit B hereto (collectively, the "Additional Stockholders"). The Founders and the Additional Stockholders are herein referred to collectively as the "Stockholders" and individually as a "Stockholder."

WHEREAS, all of the parties hereto except the Series F Investors are parties to that certain Fourth Amended and Restated Registration Rights Agreement dated as of February 28, 2003 (the "Prior Agreement") amending and restating a Third Amended and Restated Registration Rights Agreement dated as of August 24, 2001, which amended and restated a Second Amended and Restated Registration Rights Agreement dated as of February 15, 2000, which amended and restated a Registration Rights Agreement dated August 25, 1999, which amended and restated a Registration Rights Agreement dated as of November 17, 1998; and

WHEREAS, the Founders are holders of shares of the Company's Common Stock (as defined herein);

WHEREAS, Acer, FAC, the Series C Investors, the Series D Investors, the Series E Investors and the Series F Investors are holders of shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock;

WHEREAS, Hasbro is the holder of shares of the Company's Common Stock; and

WHEREAS, it is a condition to the purchase by the Series F Investors of shares of Series F Preferred Stock that the Prior Agreement be further amended and restated as provided herein, and the Company, Investors and Stockholders desire to further amend and restate the Prior Agreement as provided herein;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Prior Agreement is hereby amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 CONSTRUCTION OF TERMS. As used herein, the masculine, feminine or neuter gender, and the singular or plural number, shall be deemed to be or to include the other genders or number, as the case may be, whenever the context so indicates or requires.

SECTION 1.2 NUMBER OF SHARES OF STOCK. Whenever any provision of this Agreement calls for any calculation based on a number of shares of Common Stock held by a Stockholder or an Investor, the number of shares deemed to be held by a Stockholder or an Investor shall be the total number of shares of Common Stock then owned by such Stockholder or Investor, plus the total number of shares of Common Stock issuable upon conversion of any Preferred Stock or other convertible securities or exercise of any vested options, warrants or subscription rights then owned by such Stockholder or Investor.

SECTION 1.3 DEFINED TERMS. The following capitalized terms, as used in this Agreement, shall have the meanings set forth below.

An "AFFILIATE" of any Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the first mentioned Person. A Person shall be deemed to control another Person if such first Person possesses directly or indirectly the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, by contract or otherwise.

"BOARD OF DIRECTORS" means the Board of Directors of the Company.

"COMMISSION" means the Securities and Exchange Commission.

"COMMON STOCK" means the Common Stock, \$.01 par value per share, of the Company and any other common equity securities now or hereafter issued by the Company, and any other shares of stock issued or issuable with respect thereto (whether by way of a stock dividend or stock split or in exchange for or in replacement of or upon conversion of such shares or

otherwise in connection with a combination of shares, recapitalization, merger, consolidation or other corporate reorganization).

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.

"PERSON" means an individual, a corporation, an association, a partnership, a limited liability company, an estate, a trust, and any other entity or organization, governmental or otherwise.

"PREFERRED STOCK" means the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock and/or the Series F Preferred Stock.

"REGISTRABLE SECURITIES" means (i) any shares of Common Stock held by an Investor, (ii) any shares of Common Stock subject to acquisition by an Investor upon conversion of shares of Preferred Stock (it being understood that if an Investor owns Preferred Stock, the Investor may exercise its registration rights hereunder by converting the shares to be sold under the relevant registration statement into Common Stock as of the closing of the relevant offering and shall not be required to cause such Preferred Stock to be converted to Common Stock until immediately prior to the occurrence of such closing), (iii) for purposes of Sections 2.1, 2.3, 2.4, 2.5, 2.7, and 3.1, any shares of Common Stock held by a Founder and any shares of Common Stock subject to acquisition by a Founder upon conversion or exercise of securities convertible or exercisable into shares of Common Stock (it being understood that if a Founder owns such securities, the Founder may exercise its registration rights hereunder by converting or exercising the shares to be sold under the relevant registration statement into Common Stock as of the closing of the relevant offering and shall not be required to cause such securities to be converted or exercised into Common Stock until immediately prior to the occurrence of such closing), and (iv) any securities issued and issuable with respect to any such shares described in clauses (i), (ii) or (iii) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization; provided, however, that notwithstanding anything to the contrary contained herein, "Registrable Securities" shall not include at any time securities (i) that have been sold in a registered sale pursuant to an effective registration statement under the Securities Act, (ii) that have been sold to the public pursuant to Rule 144 under the Securities Act, (iii) held by a holder of less than three percent (3%) of the outstanding capital stock of the Company which could then be sold in their entirety pursuant to Rule 144 under the Securities Act without limitation or restriction, except to the extent that such holder is prevented from selling such shares pursuant to the market stand-off agreement set forth in Section 2.6.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

"TRANSFER" means any direct or indirect transfer, donation, sale, assignment, pledge, hypothecation, grant of a security interest in or other disposal or attempted disposal of all or any

portion of a security or of any rights. "Transferred" means the accomplishment of a Transfer, and "Transferee" means the recipient of a Transfer.

ARTICLE II

REGISTRATION RIGHTS

SECTION 2.1 OPTIONAL REGISTRATIONS. If at any time or times after the date hereof the Company shall seek to register any shares of its Common Stock under the Securities Act for sale to the public (except with respect to registration statements on Form S-4, S-8 or other similar form not available for registering the Registrable Securities for general sale to the public) for its own account or for the account of any other Person, including, without limitation, any registration pursuant to Section 2.2, the Company will promptly give written notice thereof to all holders of Registrable Securities (the "Holders"). If within twenty (20) days after their receipt of such notice one or more Holders request the inclusion of some or all of the Registrable Securities owned by them in such registration, the Company will use its best efforts to effect the registration under the Securities Act of such Registrable Securities. In the case of the registration of shares of capital stock by the Company in connection with any underwritten public offering, if the underwriter(s) determines that marketing factors require a limitation on the number of Registrable Securities to be offered, subject to the following sentence, the Company shall not be required to register Registrable Securities of the Holders in excess of the amount, if any, of shares of the capital stock which the principal underwriter of such underwritten offering shall reasonably and in good faith agree to include in such offering in addition to any amount to be registered for the account of the Company and/or such other Person on whose account the Company had initially sought to register the shares. If any limitation of the number of shares of Registrable Securities to be registered by the Holders is required pursuant to this Section 2.1, the number of shares to be excluded shall be determined in the following order and on the following basis: first, on a pro rata basis based upon the respective holdings of Registrable Securities by such Holders who are neither Founders nor Investors; second, on a pro rata basis based upon the respective holdings of Registrable Securities by such Holders who are Founders; and third, on a pro rata basis based upon the respective holdings of Registrable Securities by such Holders who are Investors, provided, however, that in no event shall the above cutback provision reduce the number of Registrable Securities included in such registration to a number that is less than 25% of the total number of shares of capital stock to be included in such underwritten public offering, including any amount to be registered for the account of the Company and any Person on whose account the Company had initially sought to register the shares, except with respect to the Company's initial public offering of its Common Stock, in which case the number of shares of Registrable Securities to be included may be reduced to zero (0).

SECTION 2.2 REQUIRED REGISTRATIONS.

(a) DEMAND REGISTRATION.

(i) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, Fenway Partners Capital Fund II, L.P. ("Fenway") and/or one or more

Series D Investors holding at least 20% of the Registrable Securities originally issued to Fenway and such Series D Investors and then held by Fenway and/or such Series D Investors may request that the Company register under the Securities Act all or a portion of the Series D Preferred Stock held by Fenway and/or such Series D Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Series D Preferred Stock for which such registration is requested represent all of the Series D Preferred Stock held by Fenway and/or such Series D Investor, \$1,000,000. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(a)(i) after the Company has effected two (2) registrations pursuant to this Section 2.2(a)(i) and such registrations have been declared or ordered effective.

(ii) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, Acer and/or one or more Investors holding at least 50% of those Registrable Securities originally issued to Acer and then held by Acer and such Investors may request that the Company register under the Securities Act all or a portion of the Registrable Securities held by Acer and such requesting Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Registrable Securities for which such registration is requested represent all of the Registrable Securities held by Acer and such Investors, \$1,000,000. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(a)(ii) after the Company has effected two (2) registrations pursuant to this Section 2.2(a)(ii) and such registrations have been declared or ordered effective.

(iii) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, Hasbro and/or one or more Investors holding at least 50% of those Registrable Securities originally issued to Hasbro and then held by Hasbro and such Investors may request that the Company register under the Securities Act all or a portion of the Registrable Securities held by Hasbro and such requesting Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Registrable Securities for which such registration is requested represent all of the Registrable Securities held by Hasbro and such Investors, \$1,000,000. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(a)(iii) after the Company has effected two (2) registrations pursuant to this Section 2.2(a)(iii) and such registrations have been declared or ordered effective.

(iv) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, FAC and/or one or more Investors holding at least 50% of those Registrable Securities originally issued to FAC and then held by FAC and such Investors may request that the Company register under the Securities Act all or a portion of the Registrable Securities held by FAC and such requesting Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Registrable Securities for which such registration is requested represent all of the Registrable Securities held by FAC and such Investors, \$1,000,000. The Company shall not be obligated to effect, or to take any action

to effect, any registration pursuant to this Section 2.2(a)(iv) after the Company has effected two (2) registrations pursuant to this Section 2.2(a)(iv) and such registrations have been declared or ordered effective.

(v) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, one or more Investors holding at least 50% of those Registrable Securities originally issued to the Series C Investors and then held by the Series C Investors and such Investors may request that the Company register under the Securities Act all or a portion of the Registrable Securities held by the Series C Investors and such requesting Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Registrable Securities for which such registration is requested represent all of the Registrable Securities held by such Investors, \$1,000,000. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(a)(v) after the Company has effected two (2) registrations pursuant to this Section 2.2(a)(v) and such registrations have been declared or ordered effective.

(vi) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, Trident Capital Fund-V, L.P. and affiliates (collectively, "Trident") and/or one or more Series E Investors holding at least 20% of the Registrable Securities originally issued to Trident and such Series E Investors and then held by Trident and/or such Series E Investors may request that the Company register under the Securities Act all or a portion of the Registrable Securities held by Trident and/or such Series E Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Registrable Securities for which such registration is requested represent all of the Registrable Securities held by Trident and/or such Series E Investor, \$1,000,000. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(a)(vi) after the Company has effected two (2) registrations pursuant to this Section 2.2(a)(vi) and such registrations have been declared or ordered effective.

(vii) At any time that is at least six (6) months after the initial underwritten public offering of Common Stock by the Company pursuant to an effective registration statement under the Securities Act, Explore Holdings L.L.C. ("Explore") and/or one or more Series F Investors holding at least 50% of those Registrable Securities originally issued to Explore and such Series F Investors and then held by Explore and/or such Series F Investors may request that the Company register under the Securities Act all or a portion of the Registrable Securities held by Explore and/or such Series F Investors having an aggregate value (based on the then current market price) of at least (A) \$7,500,000 or (B) if the Registrable Securities for which such registration is requested represent all of the Registrable Securities held by Explore and/or such Series F Investors, \$1,000,000. The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(a)(vii) after the Company after the Company has effected one (1) registration pursuant to this Section 2.2(a)(vii) and such registration has been declared or ordered effective.

(b) FORM S-3. After the Company's initial public offering of Common Stock registered under the Securities Act, the Company shall use its best efforts to qualify and remain qualified to register securities on Form S-3 (or any successor form) under the Securities Act. In addition to the rights set forth in Section 2.2(a), so long as the Company is qualified to register securities on Form S-3 (or any successor form), any Investor or Investors shall have the right to request registration on Form S-3 (or any successor form) for the Registrable Securities held by such requesting Investor having an aggregate value of at least \$500,000 (based on the then current market price), including registrations for the sale of such Registrable Securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act. Such requests shall be in writing and shall state the number of shares of Registrable Securities to be disposed of and the intended method of disposition of such shares by such Investor or Investors. Registrations effected pursuant to this Section 2.2(b) shall not be counted as demands for registration or registrations effected pursuant to Section 2.2(a). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 2.2(b) (i) for any Investor if the Company has effected two (2) registrations initiated at the request of such Investor pursuant to this Section 2.2(b) and such registrations have been declared or ordered effective or (ii) if the Company has, within the twelve (12) month period preceding the date of such request, already effected four (4) registrations for any Investors pursuant to this Section 2.2(b) and such registrations have been declared or ordered effective.

(c) REGISTRATION REQUIREMENTS. Following a request pursuant to Section 2.2(a) or (b) above, the Company will promptly notify all of the Holders who would be entitled to notice of a proposed registration under Section 2.1 above and any other holder of piggyback registration rights of its receipt of such notification from such Investor or Investors. Upon the written request of any such Holder or other holder of the Company's securities delivered to the Company within twenty (20) days after receipt from the Company of such notification, the Company will use its best efforts to cause such of the Registrable Securities as may be requested by any Holders and any other holder of piggyback registration rights to be registered under the Securities Act in accordance with the terms of Section 2.1. If the request for registration contemplates an underwritten public offering, the Company shall state such in the written notice and in such event the right of any Person to participate in such registration shall be conditioned upon their participation in such underwritten public offering and the inclusion of their securities in the underwritten public offering to the extent provided herein. If the Company fails to register all shares for which registration has been properly requested pursuant to Section 2.2(a) or 2.2(b), other than because the number of such shares, plus the number of shares required to be allocated to the exercise of piggy-back rights in respect of Registrable Securities pursuant to Section 2.1, exceeds the number of Registrable Securities which the underwriter thereof determines can be sold in light of then applicable marketing factors, then except as otherwise provided in this Agreement such registration shall not be considered a request pursuant to Section 2.2(a) or 2.2(b).

(d) UNDERWRITTEN OFFERING. If a requested registration pursuant to Section 2.2 hereof involves an underwritten public offering and the managing underwriter of such offering determines in good faith that the number of securities sought to be offered should be limited due to market conditions, then the number of securities to be included in such underwritten public offering shall be reduced to a number deemed satisfactory by such managing

underwriter, provided that the shares to be excluded shall be determined in the following sequence: (i) first, securities held by any Persons other than the Founders and the Investors, (ii) second, securities held by any Founders, (iii) third, shares sought to be registered by the Company and (iv) fourth, Registrable Securities of Investors requesting such registration (whether pursuant to Section 2.1 or this Section 2.2). If there is a reduction of the number of Registrable Securities to be included in the registration pursuant to clause (i), (ii) or (iv), the reduction shall be effected among the holders covered by such respective clause (i), (ii) or (iv) (as the case may be) on a pro rata basis (based upon the respective number of shares of Registrable Securities and other securities entitled to registration held by such holders). Any Investor who sells more than fifty percent (50%) of the Registrable Securities then held by such Investor pursuant to any registration requested under Section 2.2(a) shall be deemed to have exercised one of the demand registration rights granted to such Investor pursuant to Section 2.2(a), regardless of whether such Investor requested such registration pursuant to Section 2.2(a). With respect to a request for registration pursuant to Section 2.2(a) or (b) which is for an underwritten public offering, the managing underwriter shall be chosen by the Investors requesting such registration, subject to the Company's approval which shall not be unreasonably withheld.

(e) POSTPONEMENT. The Company may postpone the filing of any registration statement required hereunder for a reasonable period of time, not to exceed ninety (90) days in the aggregate during any twelve-month period, if the Company has been advised by legal counsel that such filing would require a special audit or the disclosure of a material impending transaction or other matter and the Company's Board of Directors determines reasonably and in good faith that such disclosure would have a material adverse effect on the Company. The Company shall not be required to cause a registration statement requested pursuant to this Section 2.2 to become effective prior to ninety (90) days following the effective date of a registration statement initiated by the Company (or one hundred eighty (180) days in the case of the Company's initial public offering of its Common Stock), if the request for registration has been received by the Company subsequent to the giving of written notice by the Company, made in good faith, to the Investors that the Company is commencing to prepare a Company-initiated registration statement (other than a registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 or any other similar rule under the Securities Act is applicable); provided, however, that the Company shall use its best efforts to achieve such effectiveness promptly following such period. Notwithstanding anything in this Agreement to the contrary, the Company shall not be obligated to effect more than one registration pursuant to Section 2.2(a) in any six-month period.

SECTION 2.3 FURTHER OBLIGATIONS OF THE COMPANY. Whenever the Company is required hereunder to register any Registrable Securities, it agrees that it shall also do the following:

(a) Pay all expenses of such registrations and offerings (exclusive of underwriting discounts and commissions) and the reasonable fees and expenses of not more than one independent counsel for the Holders in connection with any registrations pursuant to Section 2.1 or 2.2, any such counsel to be selected by the Investor requesting registration under Section 2.2 (if any) and otherwise to be selected by a majority of the Holders selling in such registration;

(b) Use its best efforts diligently to prepare and file with the Commission, within sixty (60) days of request, a registration statement and such amendments and supplements to said registration statement and the prospectus used in connection therewith as may be necessary to keep said registration statement effective until the earlier of the sale of all Registrable Securities covered thereby and one hundred twenty (120) days, and to comply with the provisions of the Securities Act with respect to the sale of securities covered by said registration statement for such period;

(c) Furnish to each selling Holder such copies of each preliminary and final prospectus and such other documents as such Holder may reasonably request to facilitate the public offering of its Registrable Securities;

(d) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering; each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;

(e) Use its best efforts to register or qualify the securities covered by said registration statement under the securities or "blue sky" laws of such jurisdictions as any selling Holder may reasonably request; provided, that the Company shall not be required to register or qualify the securities in any jurisdictions in which such registration or qualification would require it to qualify to do business or consent to general service of process therein;

(f) Immediately notify each selling Holder, at any time when a prospectus relating to his, her or its Registrable Securities is required to be delivered under the Securities Act, of the happening of any event as a result of which such prospectus contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein not misleading, and, at the request of any such selling Holder, prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(g) Cause all such Registrable Securities to be listed on each securities exchange or quotation system on which similar securities issued by the Company are then listed or quoted;

(h) Otherwise use its best efforts to comply with the securities laws of the United States and other applicable jurisdictions and all applicable rules and regulations of the Commission and comparable governmental agencies in other applicable jurisdictions;

(i) If the offering is underwritten, use its best efforts to obtain and furnish to each selling Holder, immediately prior to the effectiveness of the registration statement and, at the time of delivery of any Registrable Securities sold pursuant thereto, a cold comfort letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as any Investor requesting

registration under Section 2.2 or the Holders of a majority of the Registrable Securities being sold may reasonably request;

(j) Otherwise cooperate with the underwriter or underwriters, the Commission and other regulatory agencies and take all actions and execute and deliver or cause to be executed and delivered all documents necessary to effect the registration of any Registrable Securities under this Article II; and

(k) Use its best efforts to obtain and furnish to each selling Holder such legal opinions, if any, of counsel to the Company, addressed to each selling Holder, as are usual and customary under the circumstances.

SECTION 2.4 INDEMNIFICATION; CONTRIBUTION.

(a) Incident to any registration statement referred to in this Article II, the Company will indemnify and hold harmless each underwriter, each Holder who offers or sells any such Registrable Securities in connection with such registration statement (including its partners (including partners of partners and stockholders of any such partners), and directors, officers, employees and agents of any of them (a "Selling Holder"), and each person who controls any of them within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (a "Controlling Person")), from and against any and all losses, claims, damages, expenses and liabilities, joint or several (including any reasonable investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, as the same are incurred), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based on (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement (including any related preliminary or definitive prospectus, or any amendment or supplement to such registration statement or prospectus), (ii) any omission or alleged omission to state in such document a material fact required to be stated in it or necessary to make the statements in it not misleading in light of the circumstances under which such statements were made, or (iii) any violation by the Company of the Securities Act, any state securities or "blue sky" laws or any rule or regulation thereunder in connection with such registration; provided, however, that the Company will not be obligated to indemnify any party to the extent that such loss, claim, damage, expense or liability arises from and is based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information furnished in writing to the Company by or on behalf of such party expressly for use in such registration statement.

(b) Each Selling Holder will indemnify and hold harmless the Company (including its directors, officers, employees and agents), each underwriter and each other Holder (including its partners (including partners of partners and stockholders of such partners), and directors, officers, employees and agents of any of them, and each person who controls any of them within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, expenses and liabilities, joint or several (including any reasonable investigation, legal and other expenses incurred in connection with,

and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, as the same are incurred), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise with respect to any untrue statement or alleged untrue statement of a material fact contained in information furnished in writing to the Company by such Selling Holder expressly for use in such registration statement or any omission or alleged omission to state in such information a material fact required to be stated in it or necessary to make the statements in it not misleading in light of the circumstances under which such statements were made. In no event, however, shall the liability of a Selling Holder for indemnification under this Section 2.4(b) exceed the net proceeds received by such Selling Holder from its sale of Registrable Securities under such registration statement.

(c) If the indemnification provided for in Section 2.4(a) or (b) above for any reason is held by a court of competent jurisdiction to be unavailable to an indemnified party in respect of any losses, claims, damages, expenses or liabilities referred to therein, then each indemnifying party under this Section 2.4, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, expenses or liabilities in such proportion as is appropriate to reflect (i) the relative benefits received by the Company, the other Selling Holders and the underwriters from the offering of the Registrable Securities, (ii) the relative fault of the Company, the other Selling Holders and the underwriters in connection with the statements or omissions which resulted in such losses, claims, damages, expenses or liabilities, and (iii) any other relevant equitable considerations. The relative benefits received by the Company, the Selling Holders and the underwriters shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Company and the Selling Holders and the underwriting discount received by the underwriters, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the Registrable Securities. The relative fault of the Company, the Selling Holders and the underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Holders or the underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Holders, and the underwriters agree that it would not be just and equitable if contribution pursuant to this Section 2.4(c) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In no event, however, shall a Selling Holder be required to contribute any amount under this Section 2.4(c) in excess of the net proceeds received by such Selling Holder from its sale of Registrable Securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

(d) The amount paid by an indemnifying party or payable to an indemnified party as a result of the losses, claims, damages and liabilities referred to in this Section 2.4 shall

be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim, payable as the same are incurred. The indemnification obligations set forth in this Section 2.4 shall not apply to amounts paid by the indemnified party in any settlement that is effected without the consent of the party from whom indemnification sought, which consent shall not be unreasonably withheld. The indemnification and contribution provided for in this Section 2.4 will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified parties or any officer, director, employee, agent or controlling person of the indemnified parties. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of such indemnified party, which consent shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in an underwriting agreement entered into in connection with an underwritten public offering are in conflict with the provisions of this Agreement, the provisions in such underwriting agreement shall control.

SECTION 2.5 RULE 144 AND RULE 144A REQUIREMENTS. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the Commission that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to use its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in Commission Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the Commission in a timely manner all reports and other documents required of the Company under the Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Commission Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be

reasonably requested in availing any Holder of any rule or regulation of the Commission which permits the selling of any such securities without registration or pursuant to such form.

SECTION 2.6 "MARKET STAND-OFF" AGREEMENT. In connection with any underwritten public offering of the Company's Common Stock, the Investors and the Stockholders (including any Transferee) if requested in good faith by the Company and the managing underwriter of the Company's securities, shall agree not to, directly or indirectly, offer, sell, pledge, contract to sell (including any short sale), grant any option to purchase or otherwise dispose of any securities of the Company held by them (except for any securities sold pursuant to such registration statement) or enter into any Hedging Transaction (as defined below) relating to any securities of the Company for a period not to exceed one hundred eighty (180) days (in the case of the Company's initial underwritten public offering) or ninety (90) days (in the case of any underwritten public offering other than the Company's initial underwritten public offering) following the effective date of the applicable registration statement as agreed to by such parties; provided, that the Investors' obligations under this Section 2.6 shall be conditioned upon (a) all officers and directors of the Company entering into similar agreements with the Company and such managing underwriter and (b) the Company using all reasonable effort to obtain similar agreements from all holders of one percent (1%) or more of the outstanding capital stock of the Company; and provided, further, that such periods may be extended for up to an additional twenty (20) days to permit the underwriters to issue a research report in compliance with the National Association of Security Dealers Rule 2711(f)(4). For purposes of this Section 2.6, "Hedging Transaction" means any short sale (whether or not against the box) or any purchase, sale or grant of any right (including without limitation, any put or call option) with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from the Company's Common Stock.

SECTION 2.7 TRANSFERABILITY OF REGISTRATION RIGHTS. The registration rights set forth in this Agreement are transferable (i) to each Transferee of Registrable Securities who receives at least one hundred thirty five thousand (135,000) shares of Registrable Securities, provided, that such transferee's activities, products and services are not competitive in any material respect with activities, products or services of the Company as reasonably determined by the Board of Directors or (ii) to any partner, member or employee of such Holder or a general partner or managing member of such Holder or an Affiliate of such Holder. Each subsequent holder of Registrable Securities must consent in writing to be bound by the terms and conditions of this Agreement and written notice of any such transfer must be given to the Company in order for such Holder to acquire the rights granted pursuant to this Agreement and, in such event, each such subsequent Holder who is a transferee of an Investor shall be deemed an Investor for all purposes of this Agreement.

ARTICLE III

GENERAL

SECTION 3.1 AMENDMENTS, WAIVERS AND CONSENTS. For the purposes of this Agreement, no course of dealing between or among any of the parties hereto and no delay on the part of any party hereto in exercising any rights hereunder or thereunder shall operate as a waiver

of the rights hereof and thereof. The following shall be sufficient to effect any amendment, waiver or modification of this Agreement: the written consent of Investors holding a majority of the Registrable Securities then held by all Investors, the Company and Stockholders holding at least a majority of the outstanding shares of Registrable Securities then held by the Stockholders; provided, that any party may waive any provision hereof with respect to such party intended for its benefit by written consent; provided, further, that the provisions contained in Article II may be amended, modified or waived only with the added consent of the holders of not less than a majority of the Registrable Securities then outstanding, provided, however, that any such amendment, modification or waiver that disproportionately (other than as a result of disproportionate stockholdings) and adversely affects any Investor or Stockholder shall require the prior written consent of such Investor or Stockholder, it being understood and agreed that the grant of registration rights to third parties shall not be deemed to disproportionately or adversely affect any particular Investor or Stockholder; and provided, further, that the provisions of Section 2.1 may be amended modified or waived only with the added consent of those Founders holding a majority of Registrable Securities then held by the Founders; and provided still further, that the provisions of this Section 3.1 may be amended, modified or waived only with the consent of (i) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by Hasbro, (ii) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by Acer, (iii) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by FAC, (iv) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by the Series C Investors, (v) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by the Series D Investors, (vi) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by the Series E Investors, (vii) holders of not less than a majority of the Registrable Securities then outstanding which were initially held by the Series F Investors, (viii) the Company and (ix) Stockholders holding at least a majority of the outstanding shares of Registrable Securities then held by all Stockholders. Notwithstanding anything in this Agreement to the contrary, the Company shall amend (which amendments shall not require the consents of the holders of Registrable Securities or any particular Investor or Stockholder in accordance with this Section 3.1) Schedule I hereto to include each additional holder of Series F Preferred Stock executing a Counterpart Signature Page, any Additional Stockholder or to reflect any permitted transfer pursuant to Section 2.7.

SECTION 3.2 LEGEND ON SECURITIES. The Company, each of the Investors and each of the Stockholders acknowledge and agree that substantially the following legend shall be typed on each certificate evidencing any of the securities issued hereunder held at any time by an Investor or a Stockholders:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT"), OR ANY STATE SECURITIES OR BLUE SKY LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT (1) PURSUANT TO A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES WHICH IS EFFECTIVE UNDER THE ACT OR (2) PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE ACT RELATING TO THE DISPOSITION OF SECURITIES AND (3) IN ACCORDANCE WITH APPLICABLE STATE SECURITIES AND BLUE SKY LAWS.

SECTION 3.3 GOVERNING LAW. This Agreement shall be deemed to be a contract made under, and shall be construed in accordance with, the laws of The Commonwealth of Massachusetts, without giving effect to conflict of laws principles thereof.

SECTION 3.4 SECTION HEADINGS. The descriptive headings in this Agreement have been inserted for convenience only and shall not be deemed to limit or otherwise affect the construction of any provision thereof or hereof.

SECTION 3.5 COUNTERPARTS. This Agreement may be executed simultaneously in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute but one and the same document.

SECTION 3.6 NOTICES AND DEMANDS. Any notice or demand which is required or provided to be given under this Agreement shall be deemed to have been sufficiently given and received for all purposes when delivered by hand, or facsimile, or five days after being sent by certified or registered mail, postage and charges prepaid, return receipt requested, or two days after being sent by overnight delivery providing receipt of delivery, to the following addresses: if to the Company or the Founders, at the addresses set forth on the signature pages hereto, or at any other address designated by the Company or the Founders, respectively, to the Investors and the other parties hereto in writing; if to the Investors, at the mailing address as shown on the signature page hereto, or at any other address designated by an Investor to the Company in writing; and if to any other the Stockholders, at the mailing address for notice as set forth in the books and records of the Company.

SECTION 3.7 REMEDIES; SEVERABILITY. It is specifically understood and agreed that any breach of the provisions of this Agreement by any Person subject hereto will result in irreparable injury to the other parties hereto, that the remedy at law alone will be an inadequate remedy for such breach, and that, in addition to any other remedies which they may have, such other parties may enforce their respective rights by actions for specific performance (to the extent permitted by law). Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be deemed prohibited or invalid under such applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, and such prohibition or invalidity shall not invalidate the remainder of such provision or the other provisions of this Agreement.

SECTION 3.8 INTEGRATION. This Agreement, including the exhibits, documents and instruments referred to herein or therein, constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Without limiting the foregoing, this Fifth Amended and Restated Registration Rights Agreement amends and supersedes the Prior Agreement in its entirety.

SECTION 3.9 ADJUSTMENT. All references to share amounts and prices herein shall be equitably adjusted to reflect any stock split, combination, reorganization, recapitalization, reclassification, stock distribution, stock dividend or similar event affecting the capital stock of the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Fifth Amended and Restated Registration Rights Agreement as of the date first above written.

COMPANY:

IROBOT CORPORATION

By: /s/ Helen Greiner

Helen Greiner, President
63 South Ave.
Burlington, Massachusetts 01803-4903

FOUNDERS:

/s/ Rodney Brooks

Rodney Brooks
31 Hillside Road
Lincoln, MA 01773

/s/ Colin M. Angle

Colin M. Angle
41 Russell Street
Somerville, MA 02144

/s/ Helen Greiner

Helen Greiner
11 Gage Road
Wayland, MA 01778

/s/ M. David Adler

M. David Adler
33 Dunbar Street
Sharon, MA 02067

/s/ Grinnell More

Grinnell More
672 Old Revolutionary Road
Temple, NH 03804

INVESTORS:

EXPLORE HOLDINGS L.L.C

By: /s/ Elizabeth Korrell

Elizabeth Korrell
Manager

TRIDENT CAPITAL FUND-V, L.P.

TRIDENT CAPITAL FUND-V AFFILIATES FUND, L.P.

TRIDENT CAPITAL FUND-V AFFILIATES FUND (Q), L.P.

TRIDENT CAPITAL FUND-V PRINCIPALS FUND, L.P.

TRIDENT CAPITAL PARALLEL FUND-V, C.V.

Executed on behalf of the foregoing funds by the undersigned, as an authorized signatory of the respective general partner of each such fund:

/s/ Peter Meekin

(signature)

Peter Meekin

(print name)

FENWAY PARTNERS CAPITAL FUND II, L.P.
FPIP TRUST, LLC
FPIP, LLC

By: Fenway Partners II, LLC, its general partner

By: /s/ [Illegible]

Name:
Title: Managing Director

By: /s/ [Illegible]

Name:
Title: Managing Director

ROBOTIC VENTURES FUND I, L.P.

By:

Name: Brian Friedman
Title: Managing Director

HASBRO, INC.

By: /s/ David D.R. Hargreaves

Name: David D.R. Hargreaves
Title: C.F.O.

ACER TECHNOLOGY VENTURE FUND L.P.

By: Acer Technology Ventures
Management LLC, its General Partner

By: /s/ James C. Lu

Name: James C. Lu
Title: Managing Director

IP FUND ONE, L.P.

By: Acer Technology Ventures America LLC,
its General Partner

By: [illegible]

Name:
Title:

FIRST ALBANY COMPANIES, INC.

By: /s/ George McNamee

George McNamee, Chairman

FIRST ALBANY PRIVATE FUND 1999 L.L.C.

By: FAC Management Corp., as Managing Member

By: /s/ Stephen P. Wink

Name: Stephen P. Wink
Title: VP

FIRST ALBANY TECHNOLOGY VENTURES

By: FAC Management Corp., as Managing Member

By:

Name:
Title:

FA TECHNOLOGY VENTURES, L.P

By: FATV GP LLC, its General Partner

By: /s/ George McNamee

Name: George McNamee
Manager

FA TECHNOLOGY MANAGERS LLC

By: FATV GP LLC, its Managing Member

By: /s/ George McNamee

Name: George McNamee
Manager

FIRST ALBANY PRIVATE FUND 2004, LLC

By: FAC Management Corp., its Manager

By: /s/ Stephen P. Wink

Name: Stephen P. Wink
Title: VP

Dan Kilmurray

ROBINSON CAPITAL, LLC

By: _____
Ben Wegbreit, as Managing Member

/s/ David Sonenberg

David Sonenberg

/s/ Lindalee A. Lawrence

Lindalee A. Lawrence

/s/ William Contente

William Contente

PAINTER HILL VENTURE FUND I, L.P.

By: /s/ Walter Fiederowicz

Name: Walter Fiederowicz
Title:

PAINTER HILL PARTNERS, LLC

By: /s/ Walter Fiederowicz

Name: Walter Fiederowicz
Title:

/s/ Michael F. Cronin

Michael F. Cronin

/s/ Harold C. Smith

Harold C. Smith

/s/ Rosario S. Ilacqua

Rosario S. Ilacqua

/s/ Vincent DellaVolpe

Vincent DellaVolpe

/s/ Alan Goldberg

Alan Goldberg

/s/ Giles W. McNamee

Giles W. McNamee

FAC AS CUSTODIAN MCNAMEE GEORGE
FBO GEORGE MCNAMEE MCNAMEE KEOUGH PROFIT
SHARING

By: _____

Name:

Title:

/s/ Richard Feldman

Richard Feldman

/s/ Timothy R. Welles

Timothy R. Welles

/s/ Walter M. Fiederowicz

Walter M. Fiederowicz

/s/ George C. McNamee

George C. McNamee

/s/ Hugh Johnson

Hugh Johnson

/s/ Robert F. Campbell

Robert F. Campbell

/s/ Beno Sternlicht

Beno Sternlicht

/s/ Kenneth A. Mabbs

Kenneth A. Mabbs

/s/ Stephen P. Wink

Stephen P. Wink

/s/ Ullas Naik

Ullas Naik

/s/ Michael R. Lindburg

Michael R. Lindburg

/s/ Charles Schwager

Charles Schwager

FBF, LLLP

By: /s/ Laura P. Barton

Name: Laura P. Barton
Title: Managing General Partner

/s/ Arthur T. Murphy

Arthur T. Murphy

/s/ Steven R. Jenkins

Steven R. Jenkins

/s/ Brian Fernandez

Brian Fernandez

BOECKH CAPITAL CO. LTD.

By: /s/ William S. Power

Name: William S. Power
Title: Vice President, CFO

/s/ Frank Ingari

Frank Ingari

EXHIBIT A

IROBOT CORPORATION
FIFTH AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

Counterpart Signature Page

Reference is hereby made to that certain Fifth Amended and Restated Registration Rights Agreement dated as of November 10, 2004 (the "Registration Rights Agreement"), by and among IROBOT CORPORATION, a Delaware corporation (the "Company"), the Stockholders referenced therein and the Investors referenced therein. Capitalized terms used as defined terms herein and not otherwise defined shall have the meanings ascribed to such terms in the Registration Rights Agreement.

The undersigned is purchasing _____ (_____) shares of the Series F Preferred Stock of the Company pursuant to a separate purchase agreement between the Company and the undersigned. By execution of this Counterpart Signature Page to the Registration Rights Agreement, the undersigned hereby (i) acknowledges receipt of a copy of the Registration Rights Agreement, (ii) agrees to be bound by and obtain the benefit of the rights and restrictions of the Registration Rights Agreement as an Investor party thereto.

The Company agrees that the undersigned shall be an "Investor" for all purposes under the Registration Rights Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as an instrument under seal:

PURCHASER
(For Individual Investor)

(For Investor Entities)

(Signature)

(Print Name of Company)

(Print Name)

By: _____
(Signature)

Name: _____

Title: _____

Accepted:

IROBOT CORPORATION

By: _____
Name:
Title:

EXHIBIT B

Form of Joinder Agreement

The undersigned hereby agrees, effective as of the date hereof, to become a party to that certain Fifth Amended and Restated Registration Rights Agreement (the "Agreement") dated as of November ____, 2004 by and among iRobot Corporation (the "Company") and the other parties named therein and for all purposes of the Agreement, the undersigned shall be included within the term Stockholder (each as defined in the Agreement). The address and facsimile number to which notices may be sent to the undersigned is as follows:

Facsimile No. _____.

Name:

Accepted:

IROBOT CORPORATION

By: _____

Name:

Title:

AMENDED AND RESTATED

1994 STOCK PLAN OF

IROBOT CORPORATION

SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of this Plan is to amend and restate in its entirety the 1994 Stock Option Plan of the Company. The Plan is designed to offer selected employees, directors and consultants an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares of the Company's Common Stock. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may include Nonstatutory options as well as ISOs intended to qualify under section 422 of the Code.

SECTION 2. DEFINITIONS.

(a) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(c) "Committee" shall mean a committee of the Board of Directors, as described in Section 3(a).

(d) "Company" shall mean iRobot Corporation, a Delaware corporation.

(e) "Employee" shall mean (i) any employee of the Company or of a Subsidiary as determined in accordance with the provisions of Treasury Regulation Section 1.421-7(h) under the Code or any successor regulations thereto, (ii) a member of the Board of Directors, (iii) an independent contractor who performs services for the Company or a Subsidiary, and (iv) any individual who is employed by any partnership in which the Company has a substantial partnership interest. Service as a member of the Board of Directors or as an independent contractor shall be considered employment for all purposes of the Plan except the second sentence of Section 4(a).

(f) "Exercise Price" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Committee in the applicable Stock Option Agreement.

(g) "Fair Market Value" shall mean the fair market value of a Share, as determined by the Committee in good faith. Such determination shall be conclusive and binding on all persons.

(h) "ISO" shall mean an employee incentive stock option described in section 422(b) of the Code.

(i) "Nonstatutory Option" shall mean an employee stock option not described in section 422(b) or section 423(b) of the Code.

(j) "Offeree" shall mean an individual to whom the Committee has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(k) "Option" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(l) "Optionee" shall mean an individual who holds an Option.

(m) "Plan" shall mean this Amended and Restated 1994 Stock Plan of iRobot Corporation.

(n) "Purchase Price" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Committee.

(o) "Service" shall mean service as an Employee.

(p) "Share" shall mean one share of Stock, as adjusted in accordance with Section 9 (if applicable).

(q) "Stock" shall mean the Common Stock of the Company.

(r) "Stock Option Agreement" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his Option.

(s) "Stock Purchase Agreement" shall mean the agreement between the Company and an Offeree who acquires Shares under the Plan which contains the terms, conditions and restrictions pertaining to the acquisition of such Shares.

(t) "Subsidiary" shall mean any corporation, if the Company and/or one or more other Subsidiaries own not less than 50 percent of the total combined voting power of all classes of outstanding stock of such corporation. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(u) "Total and Permanent Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than six months.

SECTION 3. ADMINISTRATION.

(a) Committee Membership. The Plan shall be administered by the Committee, which shall consist of three members of the Board of Directors. The members of the Committee shall be appointed by the Board of Directors. If no Committee has been appointed, the entire Board of Directors shall constitute the Committee.

(b) Committee Procedures. The Board of Directors shall designate one of the members of the Committee as chairman. The Committee may hold meetings at such times and places as it shall determine. The acts of a majority of the Committee members present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Committee members, shall be valid acts of the Committee.

(c) Committee Responsibilities. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take the following actions.

(i) To interpret the Plan and to apply its provisions,

(ii) To adopt, amend or rescind rules, procedures and forms relating to the Plan,

(iii) To authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan,

(iv) To determine when Shares are to be awarded or offered for sale and when Options are to be granted under the Plan,

(v) To select the Offerees and Optionees,

(vi) To determine the number of Shares to be offered to each Offeree or to be made subject to each Option,

(vii) To prescribe the terms and conditions of each award or sale of Shares, including (without limitation) the Purchase Price, and to specify the provisions of the Stock Purchase Agreement relating to such award or sale,

(viii) To prescribe the terms and conditions of each Option, including (without limitation) the Exercise Price, to determine whether such Option is to be classified as an ISO or as a Nonstatutory Option, and to specify the provisions of the Stock Option Agreement relating to such Option,

(ix) To amend any outstanding Stock Purchase Agreement or Stock Option Agreement, subject to applicable legal restrictions and to the consent of the Offeree or Optionee who entered into such agreement, and

(x) To take any other actions deemed necessary or advisable for the administration of the Plan.

All decisions, interpretations and other actions of the Committee shall be final and binding on all Offerees, all Optionees, and all persons deriving their rights from an Offeree or Optionee. No member of the Committee shall be liable for any action that he has taken or has failed to take in good faith with respect to the Plan, any Option or any right to acquire Shares under the Plan.

(d) Financial Reports. Not less often than annually, the Company shall furnish to Optionees and Offerees reports of its financial condition, unless such Optionees and Offerees have access to equivalent information through their employment. Such reports need not be audited.

SECTION 4. ELIGIBILITY.

(a) General Rule. Only Employees shall be eligible for designation as Optionees or Offerees by the Committee. In addition, only individuals who are employees of the Company or of a Subsidiary as determined in accordance with the provisions of Treasury Regulation Section 1.421-7(h) under the Code or any successor regulations thereto shall be eligible for the grant of ISOs.

(b) Ten-Percent Shareholders. An Employee who owns more than 10 percent of the total combined voting power of all classes of outstanding stock of the Company or any of its Subsidiaries shall not be eligible for designation as an Optionee of an ISO unless (i) the Exercise Price is at least 110 percent of the Fair Market Value of a Share on the date of grant, and (ii) such ISO by its terms is not exercisable after the expiration of five years from the date of grant.

(c) Attribution Rules. For purposes of Subsection (b) above, in determining stock ownership, an Employee shall be deemed to own the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be deemed to be owned proportionately by or for its shareholders, partners or beneficiaries. Stock with respect to which such Employee holds an option shall not be counted.

(d) Outstanding Stock. For purposes of Subsection (b) above, "outstanding stock" shall include all stock actually issued and outstanding immediately after the grant. "Outstanding stock" shall not include shares authorized for issuance under outstanding options held by the Employee or by any other person.

SECTION 5. STOCK SUBJECT TO PLAN.

(a) Basic Limitation. Shares offered under the Plan shall be authorized but unissued Shares or shares of Stock reacquired in any manner. The aggregate number of Shares which may be issued under the Plan (upon exercise of Options or other rights to acquire Shares) shall not exceed 8,785,465 Shares, subject to adjustment.

pursuant to Section 9. The number of Shares which are subject to Options or other rights outstanding at any time under the Plan shall not exceed the number of Shares which then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) Additional Shares. In the event that any outstanding Option or other right for any reason expires or is cancelled or otherwise terminated, the Shares allocable to the unexercised portion of such Option or other right shall again be available for issuance under the Plan. In the event that Shares are reacquired by the Company pursuant to a forfeiture provision, a right of repurchase, a right of first refusal or a transaction under Section 8(b), such Shares shall again be available for the issuance under the Plan, provided that Shares that were acquired pursuant to the exercise of an Option which are subsequently reacquired by the Company shall not be available for issuance pursuant to the exercise of another Option (except as specifically provided in Section 5(a)) and provided further that, the cumulative number of such Shares that are available for reissuance under the Plan will not exceed 8,785,465 Shares.

(c) Per-Participant. Limit Subject to adjustment under Section 9, no Employee may receive rights to acquire Shares under the Plan (whether by way of Option or otherwise) during any one fiscal year that exceeds 5,725,000 Shares.

SECTION 6. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) Stock Purchase Agreement. Each award or sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Offeree and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Stock Purchase Agreement. The provisions of the various Stock Purchase Agreements entered into under the Plan need not be identical.

(b) Duration of Offers and Nontransferability of Rights. Any right to acquire Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Offeree within 30 days after the grant of such right was communicated to him by the Committee. Such right shall not be transferable and shall be exercisable only by the Offeree to whom such right was granted.

(c) Purchase Price. The Purchase Price of Shares to be offered under the Plan shall be determined by the Committee, in its sole and absolute discretion, and may be less than, equal to, or greater than the Fair Market Value of such Shares but in no event shall be less than the par value of such Shares. The Purchase Price shall be payable in a form described in Section 8.

(d) Withholding Taxes. As a condition to the award or purchase of Shares, the Offeree shall make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such award or purchase.

(e) Restrictions on Transfer of Shares. Any Shares awarded or sold under the Plan shall be subject to such special forfeiture, conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Stock Purchase Agreement and shall apply in addition to any general restrictions that may apply to all holders of Shares. Any service-based vesting conditions shall not be less rapid than the schedule set forth in Section 7(e).

SECTION 7. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 9. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option. In no event shall the aggregate Fair Market Value of Stock (determined at the time an ISO is granted) for which ISOs granted to any Employee are exercisable for the first time by such Employee during any calendar year (under all stock option plans of the Company and any Subsidiary) exceed One Hundred Thousand Dollars (\$100,000), provided, however, that this limitation shall have no force or effect if its inclusion in the Plan is not necessary for Options issued as ISOs to qualify as incentive stock options within the meaning of Section 422 of the Code. Any Option which would, but for its failure to satisfy the foregoing restriction, qualify as an ISO shall nevertheless be a valid Option, but to the extent of such failure it shall be deemed to be a Nonstatutory Option.

(c) Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an ISO shall not be less than 100 percent of the Fair Market Value of a Share on the date of grant, except as otherwise provided in Section 4(b). The Exercise Price of a Nonstatutory option shall be determined by the Committee, in its sole and absolute discretion, and may be less than, equal to, or greater than the Fair Market Value of a Share on the date of grant. The Exercise Price shall be payable in a form described in Section 8.

(d) Withholding Taxes. As a condition to the exercise of a Option, the Optionee shall make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Committee may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(e) Exercisability and Term. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. An Option shall become exercisable at least as rapidly as set forth in the following schedule:

Anniversary of Date of Grant -----	Minimum Percentage Exercisable -----
First	20%
Second	40%
Third	60%
Fourth	80%
Fifth	100%

Subject to the preceding sentence, the vesting of any Option shall be determined by the Committee at its sole discretion. The Stock Option Agreement shall also specify the term of the Option. The term shall not exceed 10 years from the date of grant, except as otherwise provided in Section 4(b). Subject to the preceding sentence, the Committee at its sole discretion shall determine when an Option is to expire.

(f) Nontransferability. During an Optionee's lifetime, his Option(s) shall be exercisable only by him and shall not be transferable. In the event of an Optionee's death, his Option(s) shall not be transferable other than by will or by the laws of descent and distribution.

(g) Termination of Service (Except by Death). If an Optionee's Service terminates for any reason other than his death, then his Option(s) shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection(e) above,

(ii) The date 60 days after the termination of his Service for any reason other than Total and Permanent Disability, or

(iii) The date six months after the termination of his Service by reason of Total and Permanent Disability.

The Optionee may exercise all or part of his Option(s) at any time before the expiration of such Option(s) under the preceding sentence, but only to the extent that such Option(s) had become exercisable before his Service terminated or became exercisable as a result of the termination. The balance of such Option(s) shall lapse when the Optionee's Service terminates. In the event that the Optionee dies after the termination of his Service but before the expiration of his Option(s), all or part of such Option(s) may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Option(s) directly from him by bequest or inheritance, but only to the extent that such Option(s) had become exercisable before his Service terminated or became exercisable as a result of the termination.

(h) Leaves of Absence. For purposes of Subsection (g) above, Service shall be deemed to continue while the Optionee is on military leave, sick leave or other bona fide leave of absence (as determined by the Committee). The foregoing notwithstanding, in the case of an ISO granted under the Plan, Service shall not be deemed to continue beyond the first 90 days of such leave, unless the Optionee's reemployment rights are guaranteed by statute or by contract.

(i) Death of Optionee. If an Optionee dies while he is in Service, then his Option(s) shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (e) above, or

(ii) The date six months after his death.

All or part of the Optionee's Option(s) may be exercised at any time before the expiration of such Option(s) under the preceding sentence by the executors or administrators of his estate or by any person who has acquired Such Option(s) directly from him by bequest or inheritance, but only to the extent that such Option(s) had

become exercisable before his death or became exercisable as a result of his death. The balance of such Option(s) shall lapse when the Optionee dies.

(j) No Rights as a Shareholder. An Optionee, or a transferee of an Optionee, shall have no rights as a shareholder with respect to any Shares covered by his Option until the date of the issuance of a stock certificate for such Shares. No adjustments shall be made, except as provided in Section 9.

(k) Modification, Extension and Renewal of Options. Within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options or may accept the cancellation of outstanding Options (to the extent not previously exercised) in return for the grant of new Options at the same or a different price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair his rights or increase his obligations under such Option.

(l) Restrictions on Transfer of Shares. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any general restrictions that may apply to all holders of Shares. Any service-based vesting conditions shall not be less rapid than the schedule set forth in Subsection (e) above.

SECTION 8. PAYMENT FOR SHARES

(a) General Rule. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or check payable to the order of the Company at the time when such Shares are purchased, except as provided in Subsections (b), (c), (d) and (e) below.

(b) Surrender of Stock. To the extent that a Stock Option Agreement so provides, payment may be made all or in part with Shares which have already been owned by the Optionee or his representative for more than 12 months and which are surrendered to the Company in good form for transfer. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(c) Services Rendered. At the discretion of the Committee, Shares may be awarded under the Plan in consideration of services rendered to the Company or a Subsidiary prior to the award. If Shares are awarded without the payment of a Purchase Price in cash, the Committee shall make a determination (at the time of the award) of the value of the services rendered by the Offeree and the sufficiency of the consideration to meet the requirements of Section 6(c) and applicable law.

(d) Full Recourse Note. At the discretion of the Committee, a portion of the Purchase Price or Exercise Price of Shares issued under the Plan may be payable by the issuance and delivery to the Company or a Subsidiary by the Optionee or Offeree of a personal full recourse note of the Optionee or Offeree bearing interest payable not less than annually at no less than 100% of the lowest applicable Federal rate as determined in accordance with Section 1274(d) of the Code, provided such note is secured by the Shares so purchased, provided further that the Optionee or Offeree deliver to the Company cash or a check payable to the order of the Company in an amount equal to the aggregate par value of the Shares to be issued.

(e) Cashless Exercise. Only if the Stock is then publicly traded and only in the case of the exercise of an Option, delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the Exercise Price of an Option, or delivery by the Optionee to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check payable to the order of the Company sufficient to pay the Exercise Price of an Option.

SECTION 9. ADJUSTMENT OF SHARES.

(a) General. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Stock (by reclassification or otherwise) into a lesser number of Shares, a recapitalization or a similar occurrence, the

Committee shall make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 5, (ii) the number of Shares covered by each outstanding Option, or (iii) the Exercise Price under each outstanding Option.

(b) Mergers and Other Reorganizations. In the event that the Company is to be consolidated with or acquired by another entity in a merger, sale of all or substantially all of the Company's assets or otherwise, all outstanding Options shall be subject to the agreement governing such transaction. Such agreement shall provide (i) for the assumption of outstanding Options by the surviving corporation or its parent or for its continuation by the Company (if the Company is a surviving corporation), without the Optionees' consent, (ii) for the acceleration of the exercisability of outstanding Options followed by their cancellation if not exercised, without the Optionees' consent (and any such cancellation shall not occur earlier than 30 days after such acceleration is effective and the Optionees have been notified of such acceleration), (iii) for a limited period of exercise of outstanding Options to the extent then exercisable, without the Optionees' consent, upon notice to the Optionees, followed by its cancellation if not exercised (and any such cancellation shall not occur earlier than 30 days after such limited period of exercise is effective and the Optionees have been notified of such), or (iv) for the termination of outstanding Options in exchange for a cash payment equal to the difference between the Fair Market Value of one Share (if greater than the Exercise Price) and the Exercise Price multiplied by the number of Shares issuable upon exercise of such outstanding Options, but only with the Optionees' consent.

(c) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, all outstanding Options granted hereunder shall terminate immediately prior to the consummation of such action or at such other time and subject to such other conditions as shall be determined by the Committee.

(d) Reservation of Rights. Except as provided in this Section 9, an Optionee or Offeree shall have no rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of

shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of the Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets. Any shares of the capital stock of the Company issued or issuable pursuant to the foregoing adjustments shall be subject to the same restrictions imposed on the Options granted under the Plan and the Shares issued or issuable upon exercise of such Options.

(e) Fractional Shares. No fractional shares shall be issued under the Plan and the Optionees shall receive from the Company cash in lieu of such fractional shares.

SECTION 10. LEGAL REQUIREMENTS.

(a) Securities Laws. Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange on which the Company's securities may then be, listed.

(b) S Corporation Status. In the event that the Company is an S corporation," as defined in section 1361 (a) of the Code, Shares shall not be issued under the Plan if the issuance or delivery of such Shares would cause the Company to lose its status as an "S corporation".

SECTION 11. NO EMPLOYMENT RIGHTS.

No provision of the Plan, nor any right or Option granted under the Plan, shall be construed to give any person any right to become, to be treated as, or to remain an Employee. The Company and its Subsidiaries reserve the right to terminate any person's Service at any time and for any reason.

SECTION 12. DURATION AND AMENDMENTS, GOVERNING LAW, CONFIDENTIALITY.

(a) Term of the Plan. The Plan, as set forth herein, shall become effective on November 16, 1994 subject to the approval of the Company's shareholders. In the event that the shareholders fail to approve the Plan within 12 months after its adoption by the Board of Directors, any Option grants or Stock awards already made shall be null and void, and no additional Option grants or Stock awards shall be made after such date. The Plan shall terminate automatically on November 16, 2004 and may be terminated on any earlier date pursuant to Subsection (b) below.

(b) Right to Amend or Terminate the Plan. The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason, provided, however, that any amendment of the Plan which increases the number of Shares available for issuance under the Plan (except as provided in Section 9), or which materially changes the class of persons who are eligible for the grant of ISOs, shall be subject to the approval of the Company's shareholders. Shareholder approval shall not be required for any other amendment of the Plan.

(c) Effect of Amendment or Termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

(d) Governing Law. The Plan and all awards or sales of Shares or grants of Options hereunder shall be governed and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

(e) Confidentiality. Notwithstanding anything to the contrary in this Plan or any Stock Purchase Agreement or Stock Option Agreement entered into under this Plan, nothing shall in any way limit the ability of the Company or any Offeree or Optionee to disclose to any person the tax treatment and tax structure of any right to purchase Shares granted hereunder.

SECTION 13. EXECUTION.

To record the adoption of the Plan, the Company has caused its authorized officer to execute the same.

IROBOT CORPORATION

By /s/ Colin Angle

Title Chief Executive Officer

IROBOT CORPORATION

STOCK OPTION GRANT AGREEMENT

THE OPTION GRANTED PURSUANT TO THIS INCENTIVE STOCK OPTION AGREEMENT (THE "OPTION") AND THE SHARES OF COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE PLEDGED, HYPOTHECATED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE OPTION OR THE SHARES UNDER THE SECURITIES ACT, OR AN OPINION OF COUNSEL, WHICH IS SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

1994 STOCK PLAN OF IROBOT CORPORATION

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT, entered into as of _____, 200__, is between IROBOT CORPORATION, a Delaware corporation (the "Company"), and _____ (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company's Board of Directors has established the 1994 Stock Plan of IRobot Corporation in order to provide selected directors, officers, employees and consultants of the Company and its Subsidiaries with an opportunity to acquire Common Stock of the Company; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Incentive Stock Option described in this Agreement to the Optionee as an inducement to enter into or remain in the service of the Company and as an incentive for extraordinary efforts during such service;

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

SECTION 1. GRANT OF OPTION.

(a) Option. On the terms and conditions stated below, the Company hereby grants to the Optionee the option to purchase _____ (_____) Shares for the sum of [_____] (\$[_____]) per share. It is understood and intended that this option shall qualify as an Incentive Stock Option. Accordingly, the Optionee understands that in order to obtain the beneficial tax treatment accorded an Incentive Stock Option, no sale or other disposition may be made of any Shares acquired upon exercise of the option within one (1) year after the day of the transfer of such Shares to the Optionee, nor within two (2) years after the Date of Grant. If the Optionee intends to dispose, or does dispose (whether by sale, exchange, gift, transfer or otherwise), of any such Shares within either of said periods, he or she will notify the Company in writing within ten (10) days after such disposition.

(b) Stock Plan. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received and read. The provisions of the Plan are incorporated into this Agreement by this reference.

(c) Grant Condition. The granting of this option shall be subject to receipt by the Company of the Company's current form of Invention and Confidentiality Agreement, executed and delivered by the Optionee.

SECTION 2. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, this option and the rights and privileges conferred hereby shall immediately become null and void.

SECTION 3. RIGHT TO EXERCISE.

(a) Vesting. Subject to the conditions stated herein, the right to exercise this option shall accrue in installments as follows provided the Optionee has continued to be an Employee through any such applicable date:

	Percentage Shares Exercisable -----
Date of Grant	0%
First Anniversary of Date of Grant	20%
Second Anniversary of Date of Grant	40%
Third Anniversary of Date of Grant	60%
Fourth Anniversary of Date of Grant	80%
Fifth Anniversary of Date of Grant	100%

(b) Periods of Nonexercisability. Any other provision of this Agreement notwithstanding, the Company shall have the right to designate one or more periods of time, each of which shall not exceed 18 consecutive months in length, during which this option shall not be exercisable if the Company determines (in its sole discretion) that such limitation on exercise could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. Such limitation on exercise shall not alter the vesting of this option as set forth in Section 3(a) other than to limit the periods during which this option shall be exercisable. The Optionee shall be notified in writing of any such designation by the Company.

(c) Shareholder Approval. Any other provision of this Agreement notwithstanding, this option shall not be exercisable at any time prior to the approval of the Plan by the holders of a majority of the outstanding stock of the Company.

(d) Termination Upon Breach of Certain Agreements. Notwithstanding the foregoing, if, in the judgment of the Company, the Optionee, prior to the expiration date of this option, materially violates the non-competition, non-solicitation, assignment of inventions or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Optionee and the Company, the right to exercise this option shall terminate immediately upon written notice to the Optionee from the Company describing such violation.

SECTION 4. EXERCISE PROCEDURES.

(a) Notice of Exercise. The Optionee or the Optionee's representative may exercise this option by giving written notice to the Secretary of the Company pursuant to Section 12(d). The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised, and the form of payment. The notice shall be signed by the person or persons exercising this option. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Secretary of the Company, at the time of giving the notice, payment in a form permissible under Section 5 for the full amount of the Purchase Price.

(b) Issuance of Shares. After receiving a proper notice of exercise, the Company shall cause to be issued a certificate or certificates for the Shares as to which this option has been exercised, registered in the name of the person exercising this option (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship). The Company shall cause such certificate or certificates to be delivered to or upon the order of the person exercising this option.

SECTION 5. PAYMENT FOR STOCK

The entire Purchase Price may be paid in U.S. dollars. Alternatively, all or part of the Purchase Price may be paid by the surrender of Shares in good form for transfer. Such Shares must have been owned for more than 12 months by the Optionee or the Optionee's representative and must have a fair market value (as determined by the Committee) on the date of exercise of this option which, together with any amount paid in cash, is equal to the Purchase Price.

SECTION 6. TERM AND EXPIRATION.

(a) Basic Term. This option shall in any event expire on the date 10 years after the Date of Grant.

(b) Termination of Service (Except by Death). If the Optionee's service as an Employee terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above;

(ii) The date 60 days after the termination of the Optionee's service as an Employee for any reason other than Total and Permanent Disability; or

(iii) The date six months after the termination of the Optionee's service as an Employee by reason of Total and Permanent Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable before the Optionee's service terminated. The balance of this option shall lapse when the Optionee's service as an Employee terminates. In the event that the Optionee dies after the termination of service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's service terminated.

(c) Death of Optionee. If the Optionee dies as an Employee, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above;

or

(ii) The date six months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death. The balance of this option shall lapse when the Optionee dies.

(d) Leaves of Absence. For purposes of this Section 6, the Employee relationship shall be deemed to continue during any period when the Optionee is on military leave, sick leave or other bona fide leave of absence (to be determined in the sole discretion of the Committee). However, if the Optionee's reemployment rights are not guaranteed by statute or by contract, then the Employee relationship shall not be deemed to continue beyond the 90th day of such period.

SECTION 7. THE COMPANY'S RIGHT OF FIRST REFUSAL

(a) Right of First Refusal. In the event that the Optionee or a Transferee proposes to sell, pledge or otherwise transfer to any person any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to such Shares. If the Optionee or Transferee desires to transfer Shares acquired under this Agreement, the Optionee or Transferee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price and the name and address of the proposed Transferee. The Transfer Notice shall be signed both by the Optionee or Transferee and by the proposed new Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within in 30 days after the date when the Transfer Notice was received by the Company. The Company's rights under this Subsection (a) shall be freely assignable, in whole or in part.

(b) Transfer of Shares. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee or Transferee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee or Transferee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice; provided, however, that in the event the Transfer Notice provides that payment for the Shares is to be made in a form other than lawful money paid at the time of transfer, the Company shall have the option of paying for the Shares with lawful money equal to the present value of the consideration described in the Transfer Notice.

(c) Binding Effect. The Company's Right of First Refusal shall inure to the benefit of its successors and assigns and shall be binding upon any Transferee of the Shares.

(d) Termination of Right of First Refusal. Any other provision of this Section 7 notwithstanding, in the event that Stock is listed on an established stock exchange or is quoted regularly on the NASDAQ System at the time when the Optionee or Transferee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee or Transferee shall have no obligation to comply with the procedures prescribed by Subsections (a), (b) and (c) above.

SECTION 8. RIGHT OF REPURCHASE.

(a) Basic Repurchase Right. The Shares acquired under this Agreement shall be Restricted Shares and shall be subject to the right (but not an obligation) of repurchase by the Company. The Company's rights under this Subsection (a) shall be freely assignable, in whole or in part.

(b) Condition Precedent to Exercise. The Company's right of repurchase shall be exercisable only during the 60-day period next following the later of (i) the date when the Optionee ceases to be an Employee for any reason, with or without cause, including (without limitation) death or disability, or (ii) the date when the option was exercised by the Optionee, the executors or administrators of the Optionee's estate or any person who has acquired the option directly from the Optionee by bequest or inheritance.

(c) Repurchase Cost. If the Company exercises its right to repurchase, it shall pay the Optionee an amount equal to (1) the greater of (i) the price per Share paid by the Optionee under Section 1(a) hereof, or (ii) Fair Market Value at the time of repurchase multiplied by (2) the number of Restricted Shares to be repurchased. The Company's right of repurchase shall terminate with respect to Restricted Shares if the Stock is listed on an established stock exchange or quoted regularly on the NASDAQ System.

(d) Exercise of Repurchase Right. If the Company elects to exercise its right of repurchase with respect to any Restricted Shares, it must exercise its right of repurchase with respect to all Restricted Shares. The Company's right of repurchase shall be exercisable only by written notice delivered to the Optionee prior to the expiration of the 60-day period specified in Subsection (b) above. The notice shall set forth the date on which the repurchase is to be effected. Such date shall not be more than 30 days after the date of the notice. The certificate(s) representing the Restricted Shares to be repurchased shall, prior to the close of business on the date specified for the repurchase, be delivered to the Secretary of the Company. Each certificate shall be properly endorsed for transfer. The Company shall, concurrently with the receipt of such certificate(s), pay to the Optionee the purchase price determined according to Subsection (c) above. Payment shall be made in lawful money of the United States of America. The Company's right of repurchase shall terminate with respect to any Restricted Shares for which it has not been timely exercised pursuant to this Subsection (d).

(e) Cancellation of Shares. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Restricted Shares to be repurchased in accordance with the provisions of this Agreement, then after such time the person from whom such Restricted Shares are to be repurchased shall no longer have any rights as a holder of such Restricted Shares (other than the right to receive payment of consideration in accordance with this Agreement). Such Restricted Shares shall be deemed to have been repurchased in accordance with the applicable provisions hereof, whether or not the certificate (s) therefor have been delivered as required by this Agreement.

(f) Additional Shares or Substituted Securities. In the event of the declaration of a stock dividend, the declaration of any extraordinary dividend payable in a form other than stock, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) that are by reason of

such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible, shall immediately be subject to the Company's right of repurchase. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also, after each such transaction, be made to the price per share to be paid upon the exercise of the right of repurchase in order to reflect any change in the Company's outstanding securities effected without receipt of consideration therefor; provided, however, that the aggregate purchase price payable for the Restricted Shares shall remain the same.

(g) Legends. In addition to the legends required by Section 10 (c), all certificates representing Shares purchased under this Agreement shall be endorsed with the following legend:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS CERTAIN REPURCHASE RIGHTS TO THE COMPANY UPON TERMINATION OF SERVICE WITH THE COMPANY AND CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

SECTION 9. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange on which Stock is listed has been satisfied; and

(c) Any other applicable provision of state or federal law has been satisfied.

SECTION 10. RESTRICTIONS ON TRANSFER OF SHARES.

(a) Restrictions. The option granted hereunder is subject to the transfer restrictions set forth in the Plan. The Optionee shall not sell, transfer, assign, encumber, hypothecate or otherwise dispose of any Shares except in accordance with Section 7 and Section 8; provided, however, the Company may impose additional restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable in order to achieve compliance with the provisions

of the Securities Act, the securities laws of any state or any other law, regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state.

(b) Investment Representations. The Optionee represents, warrants and covenants that:

(i) Any Shares purchased upon exercise of this option shall be acquired for the Optionee's account for investment only and not with a view to, or for sale in connection with, any distribution of the Shares in violation of the Securities Act or any rule or regulation under the Securities Act;

(ii) The Optionee has had such opportunity as the Optionee has deemed adequate to obtain from representatives of the Company such information as is necessary to permit the Optionee to evaluate the merits and risks of the Optionee's investment in the Company;

(iii) The Optionee is able to bear the economic risk of holding Shares acquired pursuant to the exercise of this option for an indefinite period;

(iv) The Optionee understands that (A) the Shares acquired pursuant to the exercise of this option will not be registered under the Securities Act and are "restricted securities" within the meaning of Rule 144 under the Securities Act; (B) such Shares cannot be sold, transferred or otherwise disposed of unless they are subsequently registered under the Securities Act or an exemption from registration is then available; (C) in any event, an exemption from registration under Rule 144 or otherwise under the Securities Act may not be available for at least one year and even then will not be available unless a public market then exists for the Stock, adequate information concerning the Company is then available to the public and other terms and conditions of Rule 144 are complied with; and (D) there is now no registration statement on file with the Securities and Exchange Commission with respect to any Stock of the Company and the Company has no obligation or current intention to register any Shares acquired pursuant to the exercise of this option under the Securities Act;

(v) The Optionee agrees that, if the Company offers for the first time any of its Stock for sale pursuant to a registration statement under the Securities Act, the Optionee will not, without the prior written consent of the Company, publicly offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any Shares purchased upon exercise of this option for a period of ninety (90) days, or such longer period as the Company may reasonably require, after the effective date of such registration statement; and

(vi) The Optionee's principal residence is at the address set forth below on the signature page and the Optionee shall promptly notify the Company of any change in the Optionee's principal address.

By making payment upon any exercise of this option, in whole or in part, the Optionee shall be deemed to have reaffirmed, as of the date of such payment, the representations made in this Section 10(b).

(c) Legend. All certificates evidencing Shares acquired under this Agreement in an unregistered transaction shall bear the following restrictive legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(d) Removal of Legends. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but lacking such legend.

(e) Administration. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 10 shall be conclusive and binding on the Optionee and all other persons.

SECTION 11. SHARES AND ADJUSTMENTS.

(a) General. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization or a similar occurrence, the Committee shall make appropriate adjustments in one or both of (i) the number of shares covered by this option or (ii) the Exercise Price.

(b) Mergers and Other Reorganizations. In the event that the Company is to be consolidated with or acquired by another entity in a merger, sale of all or substantially all of the Company's assets or otherwise, this option shall be subject to the agreement governing such transaction. Such agreement shall provide (i) for the assumption of this option by the surviving corporation or its parent or for its continuation by the Company (if the Company is a surviving corporation), without the Optionee's consent, (ii) for the acceleration of the exercisability of this option followed by its cancellation if not exercised, without the Optionee's consent (and any such cancellation shall not occur earlier than 30 days after such acceleration is effective and the Optionee has been notified of such acceleration), (iii) for a limited period of exercise of this option to the extent then exercisable, without the Optionee's consent, upon notice to the Optionee, followed by its cancellation if not exercised (and any such cancellation shall not occur earlier than 30 days after such limited period of exercise is effective and the Optionee has been notified of such), or (iv) for the termination of this option in exchange for a cash payment equal to the difference between the Fair Market Value of one Share (if greater than the Exercise Price) and the Exercise Price multiplied by the number of Shares issuable upon exercise of this option, but only with the Optionee's consent.

(c) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the option granted hereunder shall terminate immediately prior to the consummation of such action or at such other time and subject to such other conditions as shall be determined by the Committee.

(d) Reservation of Rights. Except as provided in this Section 11, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of the Shares subject to this option. The grant of this option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets. Any shares of the capital stock of the Company issued or issuable to the Optionee pursuant to the foregoing adjustments shall be subject to the same restrictions imposed on the option granted hereunder and the Shares issued or issuable upon exercise of such option.

(e) Fractional Shares. No fractional shares shall be issued under the Plan and the optionee shall receive from the Company cash in lieu of such fractional shares.

SECTION 12. MISCELLANEOUS PROVISIONS.

(a) Withholding Taxes. In the event that the Company determines that it is required to withhold foreign, federal, state or local tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the disposition of Shares purchased by exercising this option.

(b) Rights as a Shareholder. Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this Option until such Shares have been issued in the name of the Optionee or the Optionee's representative.

(c) No Employment Rights. Nothing in this Agreement shall be construed as giving the Optionee the right to be retained as an Employee. The Company reserves the right to terminate the Optionee's service at any time, with or without cause.

(d) Notice. Any notice required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail with postage and fees prepaid and addressed to the party entitled to such notice at the address shown below such party's signature on this Agreement, or at such other address as such party may designate by 10 days, advance written notice to the other party to this Agreement.

(e) Entire Agreement; Severability. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be deemed prohibited or invalid under such applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, and such prohibition or invalidity shall not invalidate the remainder of such provision or the other provisions of this Agreement.

(f) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, as such laws are applied to contracts entered into and performed in such Commonwealth.

(g) Specific Performance. It is specifically understood and agreed that any breach of the provisions of this Agreement by the Optionee will result in irreparable injury to the Company, that the remedy at law alone will be an inadequate remedy for such breach, and that, in addition to any other remedies which the Company may have, the Company may enforce its rights by actions for specific performance (to the extent permitted by law). The Company may refuse to recognize any unauthorized transferee as one of its stockholders for any purpose, including, without limitation, for purposes of dividend and voting rights, until the relevant party or parties have complied with all applicable provisions of this Agreement.

SECTION 13. DEFINITIONS.

(a) "Agreement" shall mean this Incentive Stock Option Agreement.

(b) "Board" shall mean the Board of Directors of the Company, as constituted from time to time.

(c) "Code" shall mean the Internal Revenue Code or 1986, as amended.

(d) "Committee" shall mean the committee of the Board described in Section 3 of the Plan or, if none has been appointed, the full Board.

(e) "Date of Grant" shall mean the date on which the Committee resolved to grant this option, which is also the date as of which this Agreement is entered into.

(f) "Employee" shall mean any employee of the Company or of a Subsidiary as determined in accordance with the provisions of Treasury Regulation Section 1.421-7(h) under the Code or any successor regulations thereto.

(g) "Exercise Price" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in Section 1(a).

(h) "Fair Market Value" shall mean the fair market value of a Share, as determined by the Committee in good faith. Such determination shall be conclusive and binding on all persons.

(i) "Incentive Stock Option" shall mean an employee incentive stock option described in section 422(b) of the Code.

(j) "Nonstatutory Stock Option" shall mean a stock option not described in section 422(b) or section 423(b) of the Code.

(k) "Plan" shall mean the 1994 Stock Plan of IRobot Corporation as in effect on the Date of Grant.

(l) "Purchase Price" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(m) "Restricted Share" shall mean a Share which is subject to the Company's right of repurchase under Section 8.

(n) "Right of First Refusal" shall mean the Company's right of first refusal described in Section 7.

(o) "Securities Act" shall mean the Securities Act of 1933, as amended.

(p) "Share" shall mean one share of Stock, as adjusted in accordance with Section 11 (if applicable).

(q) "Stock" shall mean the Common Stock of Company.

(r) "Subsidiary" shall mean any corporation, if the Company and/or one or more other Subsidiaries own not less than 50% of the total combined voting power of all classes of outstanding stock of such corporation.

(s) "Total and Permanent Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than six months.

(t) "Transferee" shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(u) "Transfer Notice" shall mean the notice of a proposed transfer of Shares described in Section 7.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its officer duly authorized to act on behalf of the Committee, and the Optionee has personally executed this Agreement.

OPTIONEE

IROBOT CORPORATION

Name:

By: _____

Optionee's Address:

Company's Address:
Twin City Office Center
Suite #6
22 McGrath Highway
Somerville, MA 02143

IROBOT CORPORATION

STOCK OPTION GRANT AGREEMENT

THE OPTION GRANTED PURSUANT TO THIS NONSTATUTORY STOCK OPTION AGREEMENT (THE "OPTION") AND THE SHARES OF COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE PLEDGED, HYPOTHECATED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE OPTION OR THE SHARES UNDER THE SECURITIES ACT, OR AN OPINION OF COUNSEL, WHICH IS SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

1994 STOCK PLAN OF IROBOT CORPORATION

NONSTATUTORY STOCK OPTION AGREEMENT

THIS AGREEMENT, entered into as of _____, 199__, is between IROBOT CORPORATION, a Delaware corporation (the "Company"), and _____ (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Company's Board of Directors has established the 1994 Stock Plan of IRobot Corporation in order to provide selected Employees of the Company and its Subsidiaries with an opportunity to acquire Common Stock of the Company; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Nonstatutory Stock Option described in this Agreement to the Optionee as an inducement to enter into or remain in the service of the Company and as an incentive for extraordinary efforts during such service;

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

SECTION 1. GRANT OF OPTION.

(a) Option. On the terms and conditions stated below, the Company hereby grants to the Optionee the option to purchase _____ (_____) Shares for the sum of [_____] (\$[____]) per share. This option shall not be treated as an Incentive Stock Option.

(b) Stock Plan. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received and read. The provisions of the Plan are incorporated into this Agreement by this reference.

(c) Grant Condition. The granting of this option shall be subject to receipt by the Company of the Company's current form of Invention and Confidentiality Agreement, executed and delivered by the Optionee.

SECTION 2. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, this option and the rights and privileges conferred hereby shall immediately become null and void.

SECTION 3. RIGHT TO EXERCISE.

(a) Vesting. Subject to the conditions stated herein, the right to exercise this option shall accrue in installments as follows provided the Optionee has continued to be an Employee through any such applicable date:

	Percentage Shares Exercisable -----
Date of Grant	0%
First Anniversary of Date of Grant	20%
Second Anniversary of Date of Grant	40%
Third Anniversary of Date of Grant	60%
Fourth Anniversary of Date of Grant	80%

(b) Periods of Nonexercisability. Any other provision of this Agreement notwithstanding, the Company shall have the right to designate one or more periods of time, each of which shall not exceed 18 consecutive months in length, during which this option shall not be exercisable if the Company determines (in its sole discretion) that such limitation on exercise could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. Such limitation on exercise shall not alter the vesting of this option as set forth in Section 3(a) other than to limit the periods during which this option shall be exercisable. The Optionee shall be notified in writing of any such designation by the Company.

(c) Shareholder Approval. Any other provision of this Agreement notwithstanding, this option shall not be exercisable at any time prior to the approval of the Plan by the holders of a majority of the outstanding stock of the Company.

(d) Termination Upon Breach of Certain Agreements. Notwithstanding the foregoing, if, in the judgment of the Company, the Optionee, prior to the expiration date of this option, materially violates the non-competition, non-solicitation, assignment of inventions or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Optionee and the Company, the right to exercise this option shall terminate immediately upon written notice to the Optionee from the Company describing such violation.

SECTION 4. EXERCISE PROCEDURES.

(a) Notice of Exercise. The Optionee or the Optionee's representative may exercise this option by giving written notice to the Secretary of the Company pursuant to Section 12(d). The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised, and the form of payment. The notice shall be signed by the person or persons exercising this option. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Secretary of the Company, at the time of giving the notice, payment in a form permissible under Section 5 for the full amount of the Purchase Price.

(b) Issuance of Shares. After receiving a proper notice of exercise, the Company shall cause to be issued a certificate or certificates for the Shares as to which this option has been exercised, registered in the name of the person exercising this option (or in the names of such person and his or her spouse as community property or as joint tenants with right of

survivorship). The Company shall cause such certificate or certificates to be delivered to or upon the order of the person exercising this option.

SECTION 5. PAYMENT FOR STOCK

The entire Purchase Price may be paid in U.S. dollars. Alternatively, all or part of the Purchase Price may be paid by the surrender of Shares in good form for transfer. Such Shares must have been owned for more than 12 months by the Optionee or the Optionee's representative and must have a fair market value (as determined by the Committee) on the date of exercise of this option which, together with any amount paid in cash, is equal to the Purchase Price.

SECTION 6. TERM AND EXPIRATION.

(a) Basic Term. This option shall in any event expire on the date 10 years after the Date of Grant.

(b) Termination of Service (Except by Death). If the Optionee's service as an Employee terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above;

(ii) The date 60 days after the termination of the Optionee's service as an Employee for any reason other than Total and Permanent Disability; or

(iii) The date six months after the termination of the Optionee's service as an Employee by reason of Total and Permanent Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable before the Optionee's service terminated. The balance of this option shall lapse when the Optionee's service as an Employee terminates. In the event that the Optionee dies after the termination of service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's service terminated.

(c) Death of Optionee. If the Optionee dies as an Employee, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above;

or

(ii) The date six months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death. The balance of this option shall lapse when the Optionee dies.

(d) Leaves of Absence. For purposes of this Section 6, the Employee relationship shall be deemed to continue during any period when the Optionee is on military leave, sick leave or other bona fide leave of absence (to be determined in the sole discretion of the Committee). However, if the Optionee's reemployment rights are not guaranteed by statute or by contract, then the Employee relationship shall not be deemed to continue beyond the 90th day of such period.

SECTION 7. THE COMPANY'S RIGHT OF FIRST REFUSAL

(a) Right of First Refusal. In the event that the Optionee or a Transferee proposes to sell, pledge or otherwise transfer to any person any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to such Shares. If the Optionee or Transferee desires to transfer Shares acquired under this Agreement, the Optionee or Transferee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price and the name and address of the proposed Transferee. The Transfer Notice shall be signed both by the Optionee or Transferee and by the proposed new Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within in 30 days after the date when the Transfer Notice was received by the Company. The Company's rights under this Subsection (a) shall be freely assignable, in whole or in part.

(b) Transfer of Shares. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee or Transferee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee or Transferee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice; provided, however, that in the event the Transfer Notice provides that payment for the Shares is to be made in a form other than lawful money paid at the time of transfer, the Company shall have the option of paying for the Shares with lawful money equal to the present value of the consideration described in the Transfer Notice.

(c) Binding Effect. The Company's Right of First Refusal shall inure to the benefit of its successors and assigns and shall be binding upon any Transferee of the Shares.

(d) Termination of Right of First Refusal. Any other provision of this Section 7 notwithstanding, in the event that Stock is listed on an established stock exchange or is quoted regularly on the NASDAQ System at the time when the Optionee or Transferee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee or Transferee shall have no obligation to comply with the procedures prescribed by Subsections (a), (b) and (c) above.

SECTION 8. RIGHT OF REPURCHASE.

(a) Basic Repurchase Right. The Shares acquired under this Agreement shall be Restricted Shares and shall be subject to the right (but not an obligation) of repurchase by the Company. The Company's rights under this Subsection (a) shall be freely assignable, in whole or in part.

(b) Condition Precedent to Exercise. The Company's right of repurchase shall be exercisable only during the 60-day period next following the later of (i) the date when the Optionee ceases to be an Employee for any reason, with or without cause, including (without limitation) death or disability, or (ii) the date when the option was exercised by the Optionee, the executors or administrators of the Optionee's estate or any person who has acquired the option directly from the Optionee by bequest or inheritance.

(c) Repurchase Cost. If the Company exercises its right to repurchase, it shall pay the Optionee an amount equal to (1) the greater of (i) the price per Share paid by the Optionee under Section 1(a) hereof, or (ii) Fair Market Value at the time of repurchase multiplied by (2) the number of Restricted Shares to be repurchased. The Company's right of repurchase shall terminate with respect to Restricted Shares if the Stock is listed on an established stock exchange or quoted regularly on the NASDAQ System.

(d) Exercise of Repurchase Right. If the Company elects to exercise its right of repurchase with respect to any Restricted Shares, it must exercise its right of repurchase with respect to all Restricted Shares. The Company's right of repurchase shall be exercisable only by written notice delivered to the Optionee prior to the expiration of the 60-day period specified in Subsection (b) above. The notice shall set forth the date on which the repurchase is to be effected. Such date shall not be more than 30 days after the date of the notice. The certificate(s) representing the Restricted Shares to be repurchased shall, prior to the close of business on the date specified for the repurchase, be delivered to the Secretary of the Company. Each certificate shall be properly endorsed for transfer. The Company shall, concurrently with the receipt of such certificate(s), pay to the Optionee the purchase price determined according to Subsection (c) above. Payment shall be made in lawful money of the United States of America. The Company's right of repurchase shall terminate with respect to any Restricted Shares for which it has not been timely exercised pursuant to this Subsection (d).

(e) Cancellation of Shares. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Restricted Shares to be repurchased in accordance with the provisions of this Agreement, then after such time the person from whom such Restricted Shares are to be repurchased shall no longer have any rights as a holder of such Restricted Shares (other than the right to receive payment of consideration in accordance with this Agreement). Such Restricted Shares shall be deemed to have been repurchased in accordance with the applicable provisions hereof, whether or not the certificate (s) therefor have been delivered as required by this Agreement.

(f) Additional Shares or Substituted Securities. In the event of the declaration of a stock dividend, the declaration of any extraordinary dividend payable in a form other than stock, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) that are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible, shall immediately be subject to the Company's right of repurchase. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also, after each such transaction, be made to the price per share to be paid upon the exercise of the right of repurchase in order to reflect any change in the Company's outstanding securities effected without receipt of consideration therefor; provided, however, that the aggregate purchase price payable for the Restricted Shares shall remain the same.

(g) Legends. In addition to the legends required by Section 10 (c), all certificates representing Shares purchased under this Agreement shall be endorsed with the following legend:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS CERTAIN REPURCHASE RIGHTS TO THE COMPANY UPON TERMINATION OF SERVICE WITH THE COMPANY AND CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

SECTION 9. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange on which Stock is listed has been satisfied; and

(c) Any other applicable provision of state or federal law has been satisfied.

SECTION 10. RESTRICTIONS ON TRANSFER OF SHARES.

(a) Restrictions. The option granted hereunder is subject to the transfer restrictions set forth in the Plan. The Optionee shall not sell, transfer, assign, encumber, hypothecate or otherwise dispose of any Shares except in accordance with Section 7 and Section 8; provided, however, the Company may impose additional restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state or any other law, regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state.

(b) Investment Representations. The Optionee represents, warrants and covenants that:

(i) Any Shares purchased upon exercise of this option shall be acquired for the Optionee's account for investment only and not with a view to, or for sale in connection with, any distribution of the Shares in violation of the Securities Act or any rule or regulation under the Securities Act;

(ii) The Optionee has had such opportunity as the Optionee has deemed adequate to obtain from representatives of the Company such information as is necessary to permit the Optionee to evaluate the merits and risks of the Optionee's investment in the Company;

(iii) The Optionee is able to bear the economic risk of holding Shares acquired pursuant to the exercise of this option for an indefinite period;

(iv) The Optionee understands that (A) the Shares acquired pursuant to the exercise of this option will not be registered under the Securities Act and are "restricted securities" within the meaning of Rule 144 under the Securities Act; (B) such Shares cannot be sold, transferred or otherwise disposed of unless they are subsequently registered under the Securities Act or an exemption from registration is then available; (C) in any event, an exemption from registration under Rule 144 or otherwise under the Securities Act may not be available for

at least one year and even then will not be available unless a public market then exists for the Stock, adequate information concerning, the Company is then available to the public and other terms and conditions of Rule 144 are complied with; and (D) there is now no registration statement on file with the Securities and Exchange Commission with respect to any Stock of the Company and the Company has no obligation or current intention to register any Shares acquired pursuant to the exercise of this option under the Securities Act;

(v) The Optionee agrees that, if the Company offers for the first time any of its Stock for sale pursuant to a registration statement under the Securities Act, the Optionee will not, without the prior written consent of the Company, publicly offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any Shares purchased upon exercise of this option for a period of ninety (90) days, or such longer period as the Company may reasonably require, after the effective date of such registration statement; and

(vi) The Optionee's principal residence is at the address set forth below on the signature page and the Optionee shall promptly notify the Company of any change in the Optionee's principal address.

By making payment upon any exercise of this option, in whole or in part, the Optionee shall be deemed to have reaffirmed, as of the date of such payment, the representations made in this Section 10(b).

(c) Legend. All certificates evidencing Shares acquired under this Agreement in an unregistered transaction shall bear the following restrictive legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(d) Removal of Legends. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but lacking such legend.

(e) Administration. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 10 shall be conclusive and binding on the Optionee and all other persons.

SECTION 11. SHARES AND ADJUSTMENTS.

(a) General. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization or a similar occurrence, the Committee shall make appropriate adjustments in one or both of (i) the number of shares covered by this option or (ii) the Exercise Price.

(b) Mergers and Other Reorganizations. In the event that the Company is to be consolidated with or acquired by another entity in a merger, sale of all or substantially all of the Company's assets or otherwise, this option shall be subject to the agreement governing such transaction. Such agreement shall provide (i) for the assumption of this option by the surviving corporation or its parent or for its continuation by the Company (if the Company is a surviving corporation), without the Optionee's consent, (ii) for the acceleration of the exercisability of this option followed by its cancellation if not exercised, without the Optionee's consent (and any such cancellation shall not occur earlier than 30 days after such acceleration is effective and the Optionee has been notified of such acceleration), (iii) for a limited period of exercise of this option to the extent then exercisable, without the Optionee's consent, upon notice to the Optionee, followed by its cancellation if not exercised (and any such cancellation shall not occur earlier than 30 days after such limited period of exercise is effective and the Optionee has been notified of such), or (iv) for the termination of this option in exchange for a cash payment equal to the difference between the Fair Market Value of one Share (if greater than the Exercise Price) and the Exercise Price multiplied by the number of Shares issuable upon exercise of this option, but only with the Optionee's consent.

(c) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the option granted hereunder shall terminate immediately prior to the consummation of such action or at such other time and subject to such other conditions as shall be determined by the Committee.

(d) Reservation of Rights. Except as provided in this Section 11, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of the Shares subject to this option. The grant of this option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets. Any shares of the capital stock of the Company issued or issuable to the Optionee pursuant to the foregoing adjustments shall be subject to the same restrictions imposed on the option granted hereunder and the Shares issued or issuable upon exercise of such option.

(e) Fractional Shares. No fractional shares shall be issued under the Plan and the optionee shall receive from the Company cash in lieu of such fractional shares.

SECTION 12. MISCELLANEOUS PROVISIONS.

(a) Withholding Taxes. In the event that the Company determines that it is required to withhold foreign, federal, state or local tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the disposition of Shares purchased by exercising this option.

(b) Rights as a Shareholder. Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this Option until such Shares have been issued in the name of the Optionee or the Optionee's representative.

(c) No Employment Rights. Nothing in this Agreement shall be construed as giving the Optionee the right to be retained as an Employee. The Company reserves the right to terminate the Optionee's service at any time, with or without cause.

(d) Notice. Any notice required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or upon deposit with the United States Postal Service, by registered or certified mail with postage and fees prepaid and addressed to the party entitled to such notice at the address shown below such party's signature on this Agreement, or at such other address as such party may designate by 10 days, advance written notice to the other party to this Agreement.

(e) Entire Agreement; Severability. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be deemed prohibited or invalid under such applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, and such prohibition or invalidity shall not invalidate the remainder of such provision or the other provisions of this Agreement.

(f) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, as such laws are applied to contracts entered into and performed in such Commonwealth.

(g) Specific Performance. It is specifically understood and agreed that any breach of the provisions of this Agreement by the Optionee will result in irreparable injury to the Company, that the remedy at law alone will be an inadequate remedy for such breach, and that, in addition to any other remedies which the Company may have, the Company may enforce its rights by actions for specific performance (to the extent permitted by law). The Company may refuse to recognize any unauthorized transferee as one of its stockholders for any purpose, including, without limitation, for purposes of dividend and voting rights, until the relevant party or parties have complied with all applicable provisions of this Agreement.

SECTION 13. DEFINITIONS.

(a) "Agreement" shall mean this Nonstatutory Stock Option Agreement.

(b) "Board" shall mean the Board of Directors of the Company, as constituted from time to time.

(c) "Code" shall mean the Internal Revenue Code or 1986, as amended.

(d) "Committee" shall mean the committee of the Board described in Section 3 of the Plan or, if none has been appointed, the full Board.

(e) "Date of Grant" shall mean the date on which the Committee resolved to grant this option, which is also the date as of which this Agreement is entered into.

(f) "Employee" shall mean (i) any employee of the Company or of a Subsidiary as determined in accordance with the provisions of Treasury Regulation Section 1.421-7(h) under the Code or any successor regulations thereto, (ii) a member of the Board of Directors, (iii) an independent contractor who performs services for the Company or a Subsidiary, and (iv) any individual who is employed by any partnership in which the Company has a substantial partnership interest.

(g) "Exercise Price" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in Section 1(a).

(h) "Fair Market Value" shall mean the fair market value of a Share, as determined by the Committee in good faith. Such determination shall be conclusive and binding on all persons.

(i) "Incentive Stock Option" shall mean an employee incentive stock option described in section 422(b) of the Code.

(j) "Nonstatutory Stock Option" shall mean a stock option not described in section 422(b) or section 423(b) of the Code.

(k) "Plan" shall mean the 1994 Stock Plan of IRobot Corporation as in effect on the Date of Grant.

(l) "Purchase Price" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(m) "Restricted Share" shall mean a Share which is subject to the Company's right of repurchase under Section 8.

(n) "Right of First Refusal" shall mean the Company's right of first refusal described in Section 7.

(o) "Securities Act" shall mean the Securities Act of 1933, as amended.

(p) "Share" shall mean one share of Stock, as adjusted in accordance with Section 11 (if applicable).

(q) "Stock" shall mean the Common Stock of Company.

(r) "Subsidiary" shall mean any corporation, if the Company and/or one or more other Subsidiaries own not less than 50% of the total combined voting power of all classes of outstanding stock of such corporation.

(s) "Total and Permanent Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than six months.

(t) "Transferee" shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(u) "Transfer Notice" shall mean the notice of a proposed transfer of Shares described in Section 7.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its officer duly authorized to act on behalf of the Committee, and the Optionee has personally executed this Agreement.

OPTIONEE

IROBOT CORPORATION

Name: By: _____

Optionee's Address:

Company's Address:

Twin City Office Center
Suite #6
22 McGrath Highway
Somerville, MA 02143

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT AND LAWS OR, SUBJECT TO SECTION 5.3 HEREOF, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

WARRANT TO PURCHASE STOCK

Issuer iRobot Corporation, a Delaware corporation
Number of Shares 18,000, subject to adjustment
Class of Stock Common Stock, \$ 01 par value per share
Exercise Price As set forth below
Issue Date January 30, 2003
Expiration Date January 29, 2010

FOR THE AGREED UPON VALUE of \$1.00, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, this Warrant is issued to SILICON VALLEY BANK (together with its successors and permitted assigns, "Holder") by iRobot Corporation, a Delaware corporation (the "Company").

Subject to the terms and conditions hereinafter set forth, the Holder is entitled upon surrender of this Warrant and the duly executed subscription form annexed hereto as Appendix 1, at the office of the Company, 63 South Avenue, Burlington, Massachusetts 01803 or such other office as the Company shall notify the Holder of in writing, to purchase from the Company up to Eighteen Thousand (18,000) fully paid and non-assessable shares (the "Shares") of the Company's common stock, \$ 01 par value per share ("Common Stock") at a purchase price per Share equal to the Exercise Price (as defined below). This Warrant may be exercised in whole or in part at any time and from time to time until 5.00 PM, Eastern time, on the Expiration Date set forth above, and shall be void thereafter. Until such time as this Warrant is exercised in full or expires, the Exercise Price and the Shares are subject to adjustment from time to time as hereinafter provided.

As used herein:

"Additional Common Shares" means all Common Stock (including reissued shares) Issued (or deemed to be issued pursuant to Section 2.5(j)) after the Issue Date. Additional Common Shares does not include, however, any Common Stock Issued in a transaction described in Sections 2.1 and 2.2 below, any Common Stock Issued upon conversion of Options

and Convertible Securities outstanding as of the Issue Date, the Shares, or Options or Common Stock Issued pursuant to a stock option plan approved by the Board of Directors of the Company as an incentive to, or in a nonfinancing transaction to, employees, officers, directors, or consultants to the Company.

"Convertible Securities" means any evidences of indebtedness, shares of stock, or other securities directly or indirectly convertible into or exchangeable for Common Stock.

"Exercise Price" means either (a) \$3.7415 (as adjusted from time to time in accordance with the provisions hereof, the "Prior Round Price"), or (b) if a Qualified Financing occurs prior to June 30, 2003, from and after the consummation of the Qualified Financing, the lesser of (i) the Prior Round Price and (ii) the Qualified Financing Price.

"Issue" means to grant, issue, sell, assume, or fix a record date for determining persons entitled to receive, any security (including Options), whichever of the foregoing is the first to occur.

"Option" means any right, option, or warrant to subscribe for, purchase, or otherwise acquire Common Stock or Convertible Securities.

"Qualified Financing" means the first sale and issuance by the Company after the Issue Date of this Warrant, in a single transaction or series of related transactions, of shares of its convertible preferred stock or other senior convertible equity securities to one or more investors for financing purposes resulting in gross proceeds to the Company of at least \$5,000,000.

"Qualified Financing Price" means the lesser of (a) the lowest price per share for which shares of Qualified Financing Securities are sold or issued by the Company in connection with the Qualified Financing, and (b) if options, warrants or other rights to purchase, subscribe for or acquire Qualified Financing Securities are sold or issued by the Company in connection with the Qualified Financing, the lowest exercise, purchase, subscription or other acquisition price payable to the Company for one share of Qualified Financing Securities under any such option, warrant or other right to purchase, subscribe for or otherwise acquire shares of Qualified Financing Securities.

"Qualified Financing Securities" means the class and/or series of convertible preferred stock or other senior equity security sold or issued by the Company in the Qualified Financing.

ARTICLE 1. EXERCISE.

1.1. Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in

Section 1.2, Holder shall also deliver to the Company a check for the aggregate Exercise Price for the Shares being purchased.

1.2. Conversion Right. In lieu of exercising this Warrant as specified in Section 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined as follows:

$$X = Y (A-B)/A$$

where

X = the number of Shares to be issued to the Holder

Y = the number of Shares with respect to which this Warrant is being exercised

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share

B = the Exercise Price

1.3. Fair Market Value.

1.3.1. If shares of Common Stock are traded on a nationally recognized securities exchange or over the counter market, the fair market value of one Share shall be the closing price of a share of Common Stock reported for the business day immediately preceding the date of Holder's Notice of Exercise to the Company.

1.3.2. If shares of Common Stock are not traded on a nationally recognized securities exchange or over the counter market, the Board of Directors of the Company shall determine the fair market value of a share of Common Stock in its reasonable good faith judgment.

1.4. Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the right to purchase the Shares not so acquired.

1.5. Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6. Assumption on Sale, Merger, or Consolidation of the Company.

1.6.1. "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, transfer, exclusive license, or other disposition of all or substantially all of the assets of the Company, or any acquisition, reorganization, consolidation or merger of the Company where the holders of the Company's outstanding voting equity securities immediately prior to the transaction beneficially own less than a majority of the outstanding voting equity securities of the surviving or successor entity immediately following the transaction.

1.6.2. In connection with, and upon the closing of, any Acquisition (other than an Acquisition in which the consideration received by the Company's stockholders consists solely of cash), and as a condition precedent thereto, the successor or surviving entity shall assume the obligations of this Warrant, and this Warrant thereafter shall be exercisable for the same kind and amount of securities and other property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Exercise Price shall be adjusted such that the product of (i) the Exercise Price in effect immediately prior to the closing of such Acquisition, and (ii) the number of Shares then issuable upon exercise of this Warrant, equals the product of (i) the number of shares or other securities or property for which this Warrant shall be exercisable immediately following the closing of such Acquisition, and (ii) the Exercise Price in effect immediately following the closing of such Acquisition, and the Exercise Price and number and class of Shares shall continue to be subject to adjustment from time to time in accordance with the provisions hereof.

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1. Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the outstanding shares of Common Stock, payable in Common Stock or other securities, or subdivides the outstanding Common Stock into a greater amount of Common Stock, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend or subdivision occurred.

2.2. Reclassification, Exchange or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Exercise Price and to the number of securities or property issuable upon

exercise of the new Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3. Adjustments for Combinations, Etc. If the outstanding shares of Common Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Exercise Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.4. No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or by-laws, or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.5. Adjustments for Diluting Issuances.

(a) Weighted Average Adjustment. If the Company issues Additional Common Shares after the Issue Date and the consideration per Additional Common Share (determined pursuant to subsection (i) below) is less than the Exercise Price in effect immediately before such Issue (a "Diluting Issuance"), the Exercise Price shall be reduced, concurrently with such Issue, to a price (calculated to the nearest hundredth of a cent) determined by multiplying the Exercise Price by a fraction.

(i) the numerator of which is the number of shares of Common Stock outstanding immediately before such Issue plus the number of shares of Common Stock that the aggregate consideration received by the Company for the Additional Common Shares would purchase at the Exercise Price in effect immediately before such Issue, and

(ii) the denominator of which is the number of shares of Common Stock outstanding immediately before such Issue plus the number of such Additional Common Shares.

(b) Adjustment to Number of Shares. Upon each adjustment of the Exercise Price, the number of Shares issuable upon exercise of the Warrant shall be increased to equal the quotient obtained by dividing (a) the product resulting from multiplying (i) the number of Shares issuable upon exercise of the Warrant and (ii) the Exercise Price, in each case as in effect immediately before such adjustment, by (b) the adjusted Exercise Price.

(c) Securities Deemed Outstanding. For the purpose of this Section 2.5, all securities issuable upon exercise of any outstanding Convertible Securities or Options, warrants, or other rights to acquire securities of the Company shall be deemed to be outstanding.

(d) No Adjustment for Issuances Following Deemed Issuances. No adjustment to the Exercise Price shall be made upon the exercise of Options or conversion of Convertible Securities.

(e) Adjustment Following Changes in Terms of Options or Convertible Securities. If the consideration payable to, or the amount of Common Stock Issuable by, the Company increases or decreases, respectively, pursuant to the terms of any outstanding Options or Convertible Securities, the Exercise Price shall be recomputed to reflect such increase or decrease. The recomputation shall be made as of the time of the Issuance of the Options or Convertible Securities. Any changes in the Exercise Price that occurred after such Issuance because other Additional Common Shares were Issued or deemed Issued shall also be recomputed.

(f) Recomputation Upon Expiration of Options or Convertible Securities. The Exercise Price computed upon the original Issue of any Options or Convertible Securities, and any subsequent adjustments based thereon, shall be recomputed when any Options or rights of conversion under Convertible Securities expire without having been exercised. In the case of Convertible Securities or Options for Common Stock, the Exercise Price shall be recomputed as if the only Additional Common Shares Issued were the shares of Common Stock actually Issued upon the exercise of such Securities, if any, and as if the only consideration received therefor was the consideration actually received upon the Issue, exercise or conversion of the Options or Convertible Securities. In the case of Options for Convertible Securities, the Exercise Price shall be recomputed as if the only Convertible Securities Issued were the Convertible Securities actually Issued upon the exercise thereof, if any, and as if the only consideration received therefor was the consideration actually received by the Company (determined pursuant to subsection (i)), if any, upon the Issue of the Options for the Convertible Securities.

(g) Limit on Readjustments. No readjustment of the Exercise Price pursuant to Sections (e) or (f) shall increase the Exercise Price by more than the amount of any decrease made in respect of the Issue of any Options or Convertible Securities with respect to which such readjustment is made.

(h) 30 Day Options. In the case of any Options that expire by their terms not more than 30 days after the date of Issue thereof, no adjustment of the Exercise Price shall be made until the expiration or exercise of such Options.

(i) Computation of Consideration. The consideration received by the Company for the Issue of any Additional Common Shares shall be computed as follows.

(i) Cash. shall be valued at the amount of cash received by the Company, excluding amounts paid or payable for accrued interest or accrued dividends.

(ii) Property. Property other than cash shall be computed at the fair market value thereof at the time of the Issue as determined in good faith by the Board of Directors of the Company.

(iii) Mixed Consideration. The consideration for Additional Common Shares Issued together with other property of the Company for consideration that covers both shall be determined in good faith by the Board of Directors.

(iv) Options and Convertible Securities. The consideration per Additional Common Share for Options and Convertible Securities shall be determined by dividing.

(x) the total amount, if any, received or receivable by the Company for the Issue of the Options or Convertible Securities, plus the minimum amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon exercise of the Options or conversion of the Convertible Securities, by

(y) the maximum amount of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) ultimately issuable upon the exercise of such Options or the conversion of such Convertible Securities.

(j) Deemed Issuance of Additional Common Shares. The shares of Common Stock ultimately issuable upon exercise of an Option (including the shares of Common Stock ultimately issuable upon conversion or exercise of a Convertible Security issuable pursuant to an Option) are deemed to be Issued when the Option is Issued. The shares of Common Stock ultimately issuable upon conversion or exercise of a Convertible Security (other than a Convertible Security Issued pursuant to an Option) shall be deemed Issued upon Issuance of the Convertible Security. The maximum amount of Common Stock issuable is determined without regard to any future adjustments permitted under the instrument creating the Options or Convertible Securities.

2.6. Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise or conversion of this Warrant, the Company shall eliminate such fractional Share interest by paying Holder an amount computed by multiplying such fractional interest by the Fair Market Value (determined in accordance with Section 1.3 above) of one Share.

2.7. Certificate as to Adjustments. Upon each adjustment of the Exercise Price, number of Shares or class of security for which this Warrant is exercisable, the Company at its expense shall promptly compute such adjustment, and furnish Holder with a certificate of

its chief financial officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Exercise Price, number of Shares and class of security for which this Warrant is exercisable in effect upon the date thereof and the series of adjustments leading to such Exercise Price, number of Shares and class of security.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1. Representations and Warranties. The Company hereby represents and warrants to the Holder as follows.

(a) All Shares which may be issued upon the due exercise of this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(b) The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued shares such number of shares of its Common Stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion or exchange of such Common Stock into or for such other securities.

(c) On and as of the date hereof, (i) \$3.7415 is the lowest price per share for which shares of the Company's Series D Convertible Preferred Stock, \$ 01 par value per share ("Series D Stock"), have been sold or issued by the Company, and the lowest exercise or conversion price per share for which shares of Series D Stock may be purchased or acquired upon the exercise or conversion of outstanding securities exercisable or convertible by their terms for shares of Series D Stock, and (ii) the Common Stock conversion price in effect for shares of Series D Stock as determined pursuant to the Company's Certificate of Incorporation, as amended, is \$3.7415.

3.2. Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its outstanding Common Stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend, (b) to offer for subscription pro rata to the holders of Common Stock any additional shares of stock of any class or series or other rights, (c) to effect any reclassification or recapitalization of any of its securities, or (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of securities of the Company shall be entitled to receive such dividend, distribution or rights) or for determining rights to vote, if any, in respect of the matters referred to in (c) and (d) above, and (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same

will take place (and specifying the date on which the holders of securities of the Company will be entitled to exchange their securities of the Company for securities or other property deliverable upon the occurrence of such event).

3.3. Registration Under Securities Act of 1933, as amended. The Shares issued and issuable hereunder shall have certain incidental or "piggyback" registration rights pursuant to, and as set forth in, that certain Third Amended and Restated Registration Rights Agreement dated as of August 24, 2001 among the Company and the other parties named therein (the "Registration Rights Agreement"). The Company shall execute and deliver an amendment or joinder agreement with Holder for the purpose of effecting the foregoing grant of registration rights. The Company represents and warrants to Holder that the Company's foregoing grant of registration rights and its execution, delivery and performance of the aforementioned amendment or joinder agreement (a) have been duly authorized by all necessary corporate action of the Company's Board of Directors and shareholders, (b) will not violate the Certificate or the Company's by-laws, each as amended, (c) will not violate or cause a breach or default (or an event which with the passage of time or the giving of notice or both, would constitute a breach or default) under any agreement, instrument, mortgage, deed of trust or other arrangement to which the Company is a party or by which it or any of its assets is subject or bound, and (d) do not require the approval, consent or waiver of or by any shareholder, registration rights holder or other third party which approval, consent or waiver has not been obtained as of the date of issuance of this Warrant.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF THE HOLDER.

4.1. Purchase for Own Account. Except for transfers to Holder's affiliates, this Warrant and the Shares to be acquired upon exercise hereof will be acquired for investment for Holder's account, not as nominee or agent, and not with a view to sale or distribution in violation of applicable federal and state securities laws.

4.2. Investment Experience. Holder understands that the purchase of this Warrant and the Shares covered hereby involves substantial risk Holder (a) has experience as an investor in unregistered securities, (b) has sufficient knowledge and experience in financial and business affairs that it can evaluate the risks and merits of its investment in this Warrant and the Shares, and (c) can bear the economic risk of such Holder's investment in this Warrant and the Shares.

4.3. Accredited Investor. Holder is an "accredited investor" as such term is defined in Regulation D under the Securities Act of 1933, as amended.

ARTICLE 5. MISCELLANEOUS.

5.1. Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the Fair Market Value of one Share (or other security issuable upon the

exercise hereof) as determined in accordance with Section 1.3 above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

5.2. Legends. This Warrant and the Shares shall be imprinted with a legend in substantially the following form.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT AND LAWS OR, SUBJECT TO SECTION 5.3 OF THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE CORPORATION TO SILICON VALLEY BANK DATED AS OF 1/30/03, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

5.3. Compliance with Securities Laws on Transfer. This Warrant and the Shares may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company) The Company shall not require Holder to provide an opinion of counsel if the transfer is to Silicon Valley Bancshares or other affiliate of Silicon Valley Bank.

5.4. Transfer Procedure. Following its receipt of this executed Warrant, Silicon Valley Bank will transfer same in whole or in part to its parent corporation Silicon Valley Bancshares, and thereafter Holder and/or Silicon Valley Bancshares may, subject to Section 5.3 above, transfer all or part of this Warrant and/or the Shares at any time and from time to time by giving the Company notice of the portion of the Warrant and/or Shares being transferred setting forth the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable), provided, that at all times prior to the Company's IPO, Holder shall not, without the prior written consent of the Company, transfer this Warrant (or any part hereof) or any Shares to any person who directly competes with the Company, unless such transfer is in connection with an Acquisition of the Company by any such person.

5.5. Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally, or mailed by first-class registered or certified mail, postage prepaid, or sent via reputable overnight courier

service, fee prepaid, at such address as may have been furnished to the Company or the Holder, as the case may be, in writing by the Company or such holder from time to time, but in all cases, unless instructed in writing otherwise, the Company shall deliver a copy of all notices to Holder to Silicon Valley Bank, Treasury Department, 3003 Tasman Drive, HA 200, Santa Clara, California 95054.

5.6. Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7. Attorneys Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8. Governing Law. This Warrant shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts, without giving effect to its principles regarding conflicts of law.

5.9. No Rights as a Shareholder. Except as specifically provided in this Warrant, Holder shall have no rights as a shareholder of the Company in respect of the Shares issuable hereunder unless and until Holder exercises this Warrant as to all or any of such Shares.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Stock to be executed as an instrument under seal by its duly authorized representative as of the date first above written.

ATTEST

"COMPANY"

iROBOT CORPORATION

By /s/ Colin Angle

By /s/ Helen Greiner

Name Colin Angle
Title CEO

Name Helen Greiner
Title President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase _____ shares of the _____ stock of _____ pursuant to Section 1.1 of the attached Warrant, and tenders herewith payment of the Exercise Price of such shares in full.

1. The undersigned hereby elects to convert the attached Warrant into Shares in the manner specified in Section 1.2 of the attached Warrant. This conversion is exercised with respect to _____ of shares of the _____ Stock of _____.

[Strike paragraph that does not apply]

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below.

(Name)

(Address)

3. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

(Signature)

(Date)

ASSIGNMENT

FOR VALUE RECEIVED, SILICON VALLEY BANK HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO

NAME SILICON VALLEY BANCSHARES
ADDRESS 3003 TASMAN DRIVE (HA-200)
SANTA CLARA, CA 95054

TAX ID 91-1962278

THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY IROBOT CORPORATION (THE "COMPANY"), ON JANUARY 30, 2003 (THE "WARRANT") TOGETHER WITH ALL RIGHTS, TITLE AND INTEREST THEREIN.

SILICON VALLEY BANK

By /s/ Dave Reich

Name Dave Reich

Title SVP

Date 2/3/03

By its execution below, and for the benefit of the Company, Silicon Valley Bancshares makes each of the representations and warranties set forth in Article 4 of the Warrant as of the date hereof.

SILICON VALLEY BANCSHARES

By /s/ Paulette Mehas

Name Paulette Mehas

Title Treasurer

FLEET NATIONAL BANK
A Bank of America Company

LOAN AND SECURITY AGREEMENT

May 26, 2005

1. SECURITY INTEREST. i Robot Corporation, a Delaware corporation with its principal office located at 63 South Avenue, Burlington, Massachusetts 01803-4903 (hereinafter referred to as the "BORROWER"), for valuable consideration, receipt whereof is hereby acknowledged, hereby grants to Fleet National Bank, a Bank of America company, a national banking association, with an office located at 100 Federal Street, Boston, Massachusetts 02110, the secured party hereunder (hereinafter called the "Bank"), a continuing security interest in and to, and assigns to Bank, all assets of the Borrower, wherever located and whether now owned or hereafter acquired, including, without limitation, the following:

(a) all inventory, including all goods, merchandise, raw materials and work in process, finished goods, and other tangible personal property now owned or hereafter acquired and held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Borrower's business (all hereinafter called the "Inventory"),

(b) all accounts (as defined in Article 9 of the Uniform Commercial Code, hereinafter "Accounts"), contracts, contract rights, notes, bills, drafts, acceptances, general intangibles (including without limitation, customer lists, goodwill, computer programs, computer records, computer software, computer data, ledger sheets, files, records, data processing records relating to any Accounts and all tax refunds of every kind and nature to which Borrower is now or hereafter may become entitled to, no matter how arising, but excluding Intellectual Property (as defined below)), instruments, documents, chattel paper (whether tangible or electronic) deposit accounts, letter of credit rights (whether or not the letter of credit is evidenced by a writing), securities, security entitlements, security accounts, investment property, supporting obligations, choses in action, commercial tort claims, and all other debts, obligations and liabilities in whatever form, owing to Borrower from any person, firm or corporation or any other legal entity, whether now existing or hereafter arising, now or hereafter received by or belonging or owing to Borrower, for goods sold by it or for services rendered by it, or however otherwise same may have been established or created, all guarantees and securities therefor, all right, title and interest of Borrower in the merchandise or services which gave rise thereto, including the rights of reclamation and stoppage in

transit, all rights to replevy goods, and all rights of an unpaid seller of merchandise or services (all hereinafter called the "Receivables"),

(c) all machinery, equipment, fixtures and other goods (as defined in Article 9 of the Uniform Commercial Code) purchased with the proceeds of the Equipment Loan (as defined below) whether now owned or hereafter acquired by the Borrower and wherever located, all replacements and substitutions therefor or accessions thereto and all proceeds thereof (all hereinafter called the "Equipment"), and

(d) all proceeds and products of all of the foregoing in any form, including, without limitation, all proceeds of credit, fire or other insurance, and also including, without limitation, rents and profits resulting from the temporary use of any of the foregoing (which, with Inventory, Receivables and Equipment are all hereinafter called "Collateral"),

provided, however, that notwithstanding the foregoing, Collateral shall not include any right, title or interest of Borrower in or to any patents, trademarks, service marks, tradenames, copyrights, mask works, trade secrets or know-how, or any registrations, applications, or applications for registration of or relating to any of the foregoing ("Intellectual Property").

2. OBLIGATIONS SECURED. The security interest granted hereby is to secure payment and performance of all debts, liabilities and obligations of Borrower to Bank hereunder and also any and all other debts, liabilities and obligations of Borrower to Bank of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, whether or not such obligations are related to the transactions described in this Agreement, by class, or kind, or whether or not contemplated by the parties at the time of the granting of this security interest, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money including, without limitation, all interest, fees, charges, expenses and overdrafts, and also including, without limitation, all obligations and liabilities which Bank may incur or become liable for, on account of, or as a result of, any transactions between Bank and Borrower including any which may arise out of any letter of credit, acceptance or similar instrument or obligation issued or caused to be pursuant to this Agreement (all hereinafter called "Obligations").

3. BORROWER'S PLACES OF BUSINESS, INVENTORY LOCATIONS AND RETURNS POLICY. Borrower warrants that Borrower has no places of business other than that shown at the end of this Agreement, unless other places of business are listed on Schedule "A", annexed hereto, in which event Borrower represents that it has additional places of business at those locations set forth on Schedule "A".

Borrower's principal executive office and the office where Borrower keeps its records concerning its accounts, contract rights and other property, is that shown at the end of this Agreement, All Inventory presently owned by Borrower is stored at the locations set forth on Schedule "A".

Borrower will promptly notify Bank in writing of any change in the location of any place of business or the establishment of any new place of business or location of Inventory or office where its records are kept which would be shown in this Agreement if it were executed after such change.

Borrower represents and warrants that it has described its returns policy in writing to Bank and that it does now, and will continue to, apply such policy consistently in the conduct of its business and agrees that it shall notify Bank in writing before changing its policy or the application thereof.

4. BORROWER'S ADDITIONAL REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants that

(a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware and shall hereafter remain in good standing as a corporation in that state, and is duly qualified and in good standing in every other state in which it is doing business, and shall hereafter remain duly qualified and in good standing in every other state in which the failure to qualify or become licensed could reasonably be expected to have a material adverse effect on the business or financial condition of the Borrower.

(b) Borrower's exact legal name is as set forth in this Agreement.

(c) The organizational identification number of the Borrower is as set forth on Schedule "A" annexed hereto.

(d) The execution, delivery and performance of this Agreement, and any other document executed in connection herewith, are within the Borrower's corporate powers, have been duly authorized, are not in contravention of law or the terms of the Borrower's charter, by-laws or other incorporation papers, or of any indenture, agreement or undertaking to which the Borrower is a party or by which it or any of its properties may be bound.

(e) The Certificate of Incorporation and all amendments thereto of Borrower have been duly filed and are in proper order. All capital stock issued by Borrower and outstanding was and is properly issued and all books and records of Borrower, including but not limited to its minute books, by-laws and books of account, are accurate and up to date and will be so maintained.

(f) Borrower owns all of the assets reflected in the most recent of Borrower's financial statements provided to Bank, except assets sold or otherwise disposed of in the ordinary

course of business since the date thereof, and such assets together with any assets acquired since such date, including without limitation the Collateral, are free and clear of any lien, pledge, security interest, charge, mortgage or encumbrance of any nature whatsoever, except (i) the security interests and other encumbrances (if any) listed on Schedule "B" annexed hereto, (ii) those leases of personal property set forth on Schedule "C" annexed hereto, (iii) those liens permitted pursuant to Section 17(h) of this Agreement, or (iv) liens and security interests in favor of Bank.

(g) Borrower has made or filed all tax returns, reports and declarations relating to any material tax liability required by any jurisdiction to which it is subject (any tax liability which may result in a lien on any Collateral being hereby deemed material), has paid all taxes shown or determined to be due thereon except those being contested in good faith and which Borrower has, prior to the date of such contest, identified in writing to Bank as being contested, and has made adequate provision for the payment of all taxes so contested, so that no lien will encumber any Collateral, and in respect of subsequent periods.

(h) Borrower (i) is subject to no charter, corporate or other legal restriction, or any judgment, award, decree, order, governmental rule or regulation or contractual restriction which could reasonably be expected to have a material adverse effect on its business or financial condition, and (ii) is in compliance with its charter documents and by-laws, all contractual requirements by which it or any of its properties may be bound and all applicable laws, rules and regulations (including without limitation those relating to environmental protection) other than laws, rules or regulations the validity or applicability of which it is contesting in good faith or provisions of any of the foregoing the failure to comply with which cannot reasonably be expected to materially adversely affect its business or financial condition or the value of the Collateral.

(i) There is no action, suit, proceeding or investigation pending or, to Borrower's knowledge, threatened against or affecting it or any of its assets before or by any court or other governmental authority which, if determined adversely to it, would have a material adverse effect on its business or financial condition or the value of the Collateral.

(j) Borrower is in compliance with ERISA, no Reportable Event has occurred and is continuing with respect to any Plan, and it has no unfunded vested liability under any Plan. The word "Plan" as used in this Agreement means any employee plan subject to Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA") maintained for employees of Borrower, any subsidiary of Borrower or any other trade or business under common control with Borrower within the meaning of Section 414(c) of the Internal Revenue Code of 1986 or any regulations thereunder.

5. LINE OF CREDIT AND OTHER FINANCIAL ACCOMMODATIONS

(a) Subject to the terms and provisions of this Agreement, Bank hereby establishes a revolving line of credit (the "Line of Credit") in Borrower's favor in the amount of the Credit Limit (as defined below). From time to time upon Borrower's request, so long as the sum of

the aggregate principal amount of all loans outstanding and the requested loan does not exceed the lesser of (i) if the amount outstanding under the Line of Credit exceeds Six Million Dollars (\$6,000,000 00), the Borrowing Base (as defined below), or (ii) the Credit Limit (as defined below), Bank shall make such requested loan, provided that there has not occurred and is continuing an Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default.

(b) All loans shall bear interest and at the option of the Bank shall be evidenced by and repayable in accordance with a revolving note drawn to the order of Bank substantially the form of Exhibit 1 hereto (the "Master Note"), as the same may hereafter be amended, supplemented or restated from time to time and any note or notes issued in substitution therefor, but in the absence of the Note shall be conclusively evidenced by Bank's records of loans and repayments.

Interest, net of those loans (if any) which bear interest calculated by reference to LIBOR (as defined below), will be charged to Borrower at a fluctuating rate which is the daily equivalent to a rate equal to the aggregate of (x) the Prime Rate, minus (y) one (1.0%) percent per annum, or at such other rate agreed on from time to time by the parties, upon any balance owing to Bank at the close of each day and shall be payable (i) on the first day of each month in arrears, (ii) on termination of this Agreement pursuant to Section 23 hereof, (iii) on acceleration of the time for payment of the Obligations pursuant to Section 18 hereof, and (iv) on the date the Obligations are paid in full. The rate of interest payable by Borrower shall be changed effective as of that date in which a change in the Prime Rate becomes effective. Interest shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty (360) days. The term "Prime Rate" as used herein and in any supplement and amendment hereto shall mean the per annum rate of interest announced from time to time by Bank, as its Prime Rate (or if Bank ceases to announce a rate so designated, any similar successor rate designated by Bank), it being understood that such rate is a reference rate and not necessarily the lowest rate of interest charged by Bank. Interest shall be payable in lawful money of the United States of America to Bank, or as Bank shall direct, without set-off, deduction or counterclaim monthly, in arrears, on the first day of each month, commencing on the first day of the month next succeeding the date hereof.

Interest, net of those loans (if any) which bear interest calculated by reference to the Prime Rate, will be charged to Borrower at a rate which is the equivalent to the LIBOR Interest Rate (as defined below) plus Applicable Margin (as defined below).

(c) The term "Borrowing Base" as used herein shall mean the sum of the following:

(i) Eighty (80%) percent, to be increased to ninety (90%) percent for any Qualified Accounts backed by letters of credit in form and substance, and from institutions, reasonably satisfactory to the Bank, of the unpaid face amount of Qualified Accounts (as defined below) or such other percentage thereof as may from time to time be fixed by Bank upon at least five (5) Business Days prior notice to Borrower, if Bank determines in its

reasonable judgment that there has been a change in circumstances relating to any or all Accounts from those circumstances in existence on or prior to the date hereof, PLUS

(ii) the lesser of (A) Seven Million Five Hundred Thousand (\$7,500,000.00) Dollars, or (B) sixty (60%) percent of the cost or market value, whichever is lower, of all Eligible Inventory (as defined below) consisting of finished goods inventory, or such other percentages of Eligible Inventory as may from time to time be fixed by Bank upon at least five (5) Business Days prior notice to Borrower, if Bank determines in its reasonable judgment that there has been a change in circumstances relating to any or all such Inventory from those circumstances in existence on or prior to the date hereof, MINUS

(iii) one hundred (100%) percent of the aggregate amount then undrawn on all Letters of Credit and acceptances issued pursuant to this Agreement for the account of the Borrower

but in no event shall the sum of all loans plus the sum of the aggregate amount undrawn on all Letters of Credit and acceptances be in excess of the Credit Limit.

(d) The term "Credit Limit" as used herein shall mean an amount equal to Twenty Million (\$20,000,000.00) Dollars minus the amount then outstanding under the Term Note (as defined below).

(e) Borrower hereby authorizes and directs Bank, in Bank's sole discretion (provided, however, Bank shall have no obligation to do so) (i) to pay accrued interest as the same becomes due and payable pursuant to this Agreement or pursuant to any note or other agreement between Borrower and Bank, and to treat the same as a loan to Borrower, which shall be added to Borrower's loan balance pursuant to this Agreement, (ii) to charge any amount due and payable by Borrower to Bank hereunder to any of Borrower's accounts under the control of Bank, or (iii) during the existence of an Event of Default, apply the proceeds of Collateral, including, without limitation, payments on Accounts and other payments from sales or lease of Inventory and any other funds to the payment of such items. Bank shall promptly notify Borrower of any such charges or applications.

(f) The Borrowing Base formula set forth above is intended solely for monitoring purposes. The making of loans, advances, and credits by Bank to the Borrower in excess of the above described Borrowing Base formula is for the benefit of the Borrower and does not affect the obligations of Borrower hereunder, all such loans constitute Obligations and must be repaid by Borrower in accordance with the terms of this Agreement.

(g) At the request of the Borrower, and upon the execution of letter of credit documentation reasonably satisfactory to Bank, up to Three Million Dollars (\$3,000,000.00) in the aggregate at any one time, and, if applicable, within the limits of the Borrowing Base, as then computed and also within the limits of the Credit Limit as then computed, shall issue letters of credit from time to time by Bank for the account of the Borrower (collectively "Letters of Credit"). The

Letters of Credit shall be on terms mutually acceptable to Bank and Borrower, and unless otherwise agreed by the Bank, no Letter of Credit shall have an expiration date later than the sooner to occur of (i) twelve (12) months from the date of issuance of the subject Letter of Credit, or (ii) the Termination Date. A loan in an amount equal to any amount paid by Bank under a Letter of Credit shall be deemed made to Borrower, without request therefor, promptly upon any payment by Bank on such Letter of Credit. In connection with the issuance of any Letter of Credit, Borrower shall pay to Bank one and one-quarter (1.25%) percent of the face amount of such Letter of Credit plus transaction fees at the customary rates charged by Bank and all other normal and customary fees charged by Bank. Borrower hereby authorizes and directs Bank, in Bank's sole discretion (provided, however, Bank shall have no obligation to do so) to pay all such fees and costs as the same become due and payable and to treat the same as a loan to Borrower, which shall be added to Borrower's loan balance pursuant to this Agreement. For purposes of computing the Credit Limit, all Letters of Credit shall be deemed to be loans.

(h) Borrower shall pay to Bank the principal amount of all loans as follows:

(i) Borrowing Base Exceeded. Whenever the outstanding principal balance of all loans exceed the Borrowing Base, Borrower shall promptly pay to Bank the excess of the outstanding principal balance of the loans over the Borrowing Base.

(ii) Payment in Full on Termination. On termination of this Agreement, pursuant to Section 23 or acceleration of the obligations pursuant to Section 18, Borrower shall pay to Bank the entire outstanding principal balance of all loans and shall deliver to Bank cash collateral in an amount equal to the aggregate of (A) amounts then undrawn on all outstanding Letters of Credit issued pursuant to this Agreement for the account of the Borrower, and (B) the amount of all outstanding acceptances issued pursuant to this Agreement.

(i) Bank may, at any time and from time to time, in its reasonable judgment upon at least five (5) Business Days prior notice to Borrower establish reserves against the Accounts and/or the Inventory of the Borrower. The amount of such reserves shall be subtracted from Qualified Accounts or Eligible Inventory, as applicable, when calculating the amount of the Borrowing Base.

6. EQUIPMENT LOAN.

(a) Subject to, and in accordance with, the within Agreement, until the occurrence and continuance of an Event of Default and upon satisfaction of all conditions precedent described in Section 6(b) below, on or before May 26, 2007 (the "Draw Period"), Borrower may borrow, for the purposes of acquiring production machinery and equipment up to the lesser of (a) eighty (80%) percent of the eligible (as determined by the Bank) "hard costs" acquisition costs of Equipment deemed acceptable by the Bank, excluding freight, installation costs, and other soft costs or (b) the lesser of (i) (I) the difference between the Credit Limit and (II) the then outstanding balance under

the Line of Credit, or (ii) Two Million (\$2,000,000.00) Dollars (the "Equipment Loan"). The Equipment Loan shall be repaid in accordance with the terms of a certain Term Note (hereinafter, the "Term Note") in the form of Exhibit 2 annexed hereto to be executed by Borrower.

(b) Borrower may request the borrowing under its Equipment Loan by completing and delivery to the Bank an Equipment Loan Certificate in the form of Exhibit 3 annexed hereto, which Equipment Loan Certificate shall specify, without limitation, the following:

- (i) the amount of the proposed Loan,
- (ii) the Business Day of the proposed Equipment Loan,
- (iii) the use of the proceeds of the proposed Equipment Loan, and supporting documentation, including, without limitation, any purchase invoices, evidencing the Borrower's intended use of the proceeds, and
- (iv) the Borrower's certification that there are no Events of Default existing.

7. GENERAL INTEREST PROVISIONS AS TO ALL LOANS.

(a) It is the intention of the parties hereto to comply strictly with applicable usury laws, if any, accordingly, notwithstanding any provisions to the contrary in this Agreement or any other documents or instruments executed in connection herewith, in no event shall this Agreement or such documents or instruments require or permit the payment, taking, reserving, receiving, collecting or charging of any sums constituting interest under applicable laws which exceed the maximum amount permitted by such laws. If any such excess interest is called for, contracted for, charged, paid, taken, reserved, collected or received in connection with the Obligations or in any communication by Bank or any other person to the Borrower or any other person, or in the event all or part of the principal of the Obligations or interest thereon shall be prepaid or accelerated, so that under any of such circumstances or under any other circumstance whatsoever the amount of interest contracted for, charged, taken, collected, reserved, or received on the amount of principal actually outstanding from time to time under this Agreement shall exceed the maximum amount of interest permitted by applicable usury laws, if any, then in any such event it is agreed as follows (i) the provisions of this paragraph shall govern and control, (ii) neither the Borrower nor any other person or entity now or hereafter liable for the payment of the Obligations shall be obligated to pay the amount of such interest to the extent such interest is in excess of the maximum amount of interest permitted by applicable usury laws, if any, (iii) any such excess which is or has been received notwithstanding this paragraph shall be credited against the then unpaid principal balance hereof or, if the Obligations have been or would be paid in full by such credit, refunded to the Borrower, and (iv) the provisions of this Agreement and the other documents or instruments executed in connection herewith, and any communication to the Borrower, shall immediately be deemed reformed and such excess interest reduced, without the necessity of executing any other document, to the maximum lawful rate allowed under applicable laws as now or hereafter construed by courts having jurisdiction

hereof or thereof. Without limiting the foregoing, all calculations of the rate of interest contracted for, charged, taken, collected, reserved, or received in connection herewith which are made for the purpose of determining whether such rate exceeds the maximum lawful rate shall be made to the extent permitted by applicable laws by amortizing, prorating, allocating and spreading during the period of the full term of the Obligations, including all prior and subsequent renewals and extensions, all interest at any time contracted for, charged, taken, collected, reserved or received. The terms of this paragraph shall be deemed to be incorporated in every Loan Document and communication relating to the Obligations.

(b) As used in this Agreement, the following terms shall have the following meanings:

"Applicable Margin" shall mean one and one-quarter (1.25%) percent per annum (i.e., 125 basis points).

"Borrowing Date" shall mean any day upon which a LIBOR Rate Loan is made.

"Business Day" shall mean:

(i) any day which is neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in Boston, Massachusetts,

(ii) when such term is used to describe a day on which a borrowing, payment, prepayment, or repayment is to be made in respect of any LIBOR Rate Loan, any day which is (A) neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in New York City, and (B) a London Banking Day, and

(iii) when such term is used to describe a day on which an interest rate determination is to be made in respect of any LIBOR Rate Loan, any day which is a London Banking Day.

"Dollars" or "\$" shall mean currency of the United States of America.

"Eurodollars" shall mean Dollars acquired by Bank through the purchase or other acquisition of deposits denominated in Dollars and made with any bank or branch of a bank (including any branch of the Bank) located outside the United States of America.

"Hedging Contracts" shall mean interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, or any other agreements or

arrangements entered into between Borrower and Bank designed to protect the Borrower against fluctuations in interest rates or currency exchange rates.

"Hedging Obligations" means, with respect to Borrower, all liabilities of Borrower to Bank under Hedging Contracts.

"Interbank Market" shall mean, with respect to any LIBOR Rate Loan, any recognized interbank Eurodollar market chosen in good faith by Bank.

"Interest Payment Date" shall mean, relative to any LIBOR Rate Loan, having an Interest Period of three months or less, the last Business Day of such Interest Period, and as to any LIBOR Rate Loan having an Interest Period longer than three months, each Business Day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period" shall mean, relative to any LIBOR Rate Loans:

(i) initially, the period beginning on (and including) the date on which such LIBOR Rate Loan is made or continued as, or converted into, a LIBOR Rate Loan pursuant to this Agreement and ending on (but excluding) the day which numerically corresponds to such date one, two, three, or six months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in each case as the Borrower may select in its notice pursuant to this Agreement, and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Rate Loan and ending one, two, three, or six months thereafter, as selected by the Borrower by irrevocable notice to the Bank not less than two Business Days prior to the last day of the then current Interest Period with respect thereto, provided, however, that

(i) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have expiration dates occurring on more than five (5) different dates,

(ii) Interest Periods commencing on the same date for LIBOR Rate Loans comprising part of the same advance under this Agreement shall be of the same duration;

(iii) Interest Periods for LIBOR Rate Loans in connection with which Borrower has or may incur Hedging Obligations with the Bank shall be of the same duration as the relevant periods set under the applicable Hedging Contracts,

(iv) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day unless such day falls in the next calendar month, in which case such Interest Period shall end on the first preceding Business Day, and

(v) no Interest Period may end later than the Termination Date.

"LIBOR Lending Rate" shall mean, relative to any LIBOR Rate Loan to be made, continued or maintained as, or converted into, a LIBOR Rate Loan for any Interest Period, a rate per annum determined pursuant to the following formula.

$$\text{LIBOR Lending Rate} = \frac{\text{LIBOR Rate}}{\text{-----}} \\ (1.00 - \text{LIBOR Reserve Percentage})$$

"LIBOR Rate" shall mean, relative to any Interest Period for LIBOR Rate Loans, the offered rate for deposits of U.S. Dollars in an amount approximately equal to the amount of the requested LIBOR Rate Loan for a term coextensive with the designated Interest Period which the British Bankers' Association fixes as its LIBOR rate and which appears on the Telerate Page 3750 as of 11:00 a.m. London time on the day which is two London Banking Days (as defined below) prior to the beginning of such Interest Period.

"LIBOR Rate Loan" shall mean, any loan or advance the rate of interest applicable to which is based upon the LIBOR Rate.

"LIBOR Reserve Percentage" shall mean, relative to any day of any Interest Period for LIBOR Rate Loans, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board of Governors of the Federal Reserve System (the "Board") or other governmental authority having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of "Eurocurrency Liabilities", as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such Interest Period.

"London Banking Day" shall mean a day on which dealings in US dollar deposits are transacted in the London Interbank Market.

"Maturity Date" shall mean the date on which an Interest Period expires.

"Prime Rate Loan(s)" shall mean, when used in the singular, any loans on which the interest rate is calculated by reference to the Prime Rate and, when used in the plural, shall mean all such loans.

(c) Bank shall not be required to make a LIBOR Rate Loan, or convert a Prime Rate Loan into a LIBOR Rate Loan, unless Bank shall have received from the Borrower a request for such LIBOR Rate Loan, in the form of Exhibit 4 annexed hereto (herein a "Notice of Borrowing"). By delivering a borrowing request (i.e., Notice of Borrowing) to the Bank on or before 10:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably request, on not less than two nor more than five Business Days' notice, that a LIBOR Rate Loan be made in a minimum amount of Two Hundred Fifty Thousand (\$250,000.00) Dollars and integral multiples of One Hundred Thousand (\$100,000.00) Dollars. On the terms and subject to the conditions of this Agreement, each LIBOR Rate Loan shall be made available to the Borrower no later than 11:00 a.m. New York time on the first day of the applicable. Interest Period by deposit to the account of the Borrower as shall have been specified in its borrowing request.

(d) After receipt from the Borrower of any Notice of Borrowing which requests a LIBOR Rate Loan, Bank shall determine if it is able to make such LIBOR Rate Loan (or if it is unable to do so for reasons described in this section only) and will notify the Borrower upon confirmation of its ability to do so. If Bank determines in good faith that, by reason of circumstances affecting the Interbank Market, adequate and reasonable methods do not exist for ascertaining the LIBOR Rate which would otherwise be applicable to such LIBOR Rate Loan, then Bank shall so notify the Borrower on or before 4:00 p.m. on the Business Day prior to the Borrowing Date specified in the Notice of Borrowing, and in such event, Bank shall not be obligated to make such LIBOR Rate Loan and the Notice of Borrowing shall be deemed to have been withdrawn by the Borrower with Bank's consent and substituted with a request for a Prime Rate Loan in an amount equal to the requested LIBOR Rate Loan.

(e) By delivering a continuation/conversion notice to the Bank on or before 10:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably elect, on not less than two nor more than five Business Days' notice, that all, or any portion in an aggregate minimum amount of Two Hundred Fifty Thousand (\$250,000.00) Dollars and integral multiples of One Hundred Thousand (\$100,000.00) of any LIBOR Rate Loan be converted on the last day of an Interest Period into a LIBOR Rate Loan with a different Interest Period, or continued on the last day of an Interest Period as a LIBOR Rate Loan with a similar Interest Period, provided, however, that no portion of the outstanding principal amount of any LIBOR Rate Loans may be converted to, or continued as, LIBOR Rate Loans when any default or Event of Default has occurred and is continuing, and no portion of the outstanding principal amount of any LIBOR Rate Loans may be converted to, LIBOR Rate Loans of a different duration if such LIBOR Rate Loans relate to any Hedging Obligations. In the absence of delivery of a continuation/conversion notice with respect to any LIBOR Rate Loan at least two Business Days before the last day of the then current Interest

Period with respect thereto, such LIBOR Rate Loan shall, on such last day, automatically convert to a loan that accrues interest by reference to the Prime Rate.

(f) Except as otherwise provided herein, any Notice of Borrowing which requests a LIBOR Rate Loan shall be irrevocable and binding upon the Borrower. In the event the Borrower fails to borrow the LIBOR Rate Loan requested on the Borrowing Date specified in such Notice of Borrowing, the Borrower shall indemnify Bank against any and all losses and expenses incurred by Bank by reason of such failure including, without limiting the generality of the foregoing, all losses and expenses incurred by reason of the liquidation, disposition or reemployment of deposits or other funds acquired by Bank to fund such LIBOR Rate Loan.

(g) Interest on the outstanding principal amount of each LIBOR Rate Loan shall accrue during the Interest Period applicable thereto at a rate equal to the sum of the LIBOR Lending Rate for such Interest Period plus the Applicable Margin thereto and be payable on each Interest Payment Date.

(h) LIBOR Rate Loans shall mature and become payable in full on the last day of the Interest Period relating to such LIBOR Rate Loan. Upon maturity, a LIBOR Rate Loan may be continued for an additional Interest Period or may be converted to a Prime Rate Loan, as set forth above.

(i) LIBOR Rate Loans may be prepaid on the terms and conditions set forth herein For LIBOR Rate Loans in connection with which the Borrower has or may incur Hedging Obligations, additional obligations may be associated with prepayment in accordance with the terms and conditions of the applicable Hedging Contracts. The Borrower shall give the Bank, no later than 10:00 a.m., New York City time, at least four (4) Business Days notice of any proposed prepayment of any LIBOR Rate Loans, specifying the proposed date of payment of such LIBOR Rate Loans, and the principal amount to be paid. Each partial prepayment of the principal amount of LIBOR Rate Loans shall be in an integral multiple of Fifty Thousand (\$50,000.00) Dollars and accompanied by the payment of all charges outstanding on such LIBOR Rate Loans and of all accrued interest on the principal repaid to the date of payment. Borrower acknowledges that prepayment or acceleration of a LIBOR Rate Loan during an Interest Period shall result in the Bank incurring additional costs, expenses and/or liabilities and that it is extremely difficult and unpractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, all full or partial prepayments of LIBOR Rate Loans shall be accompanied by, and the Borrower hereby promises to pay, on each date a LIBOR Rate Loan is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise, in addition to all other sums then owing, an amount ("LIBOR Rate Loan Prepayment Fee") determined by the Bank pursuant to the following formula:

- (i) the then current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the end of the Interest Period as to which prepayment is made, subtracted from

(ii) the LIBOR Lending Rate plus the Applicable Margin applicable to the LIBOR Rate Loan being prepaid.

If the result of this calculation is zero or a negative number, then there shall be no LIBOR Rate Loan Prepayment Fee. If the result of this calculation is a positive number, then the resulting percentage shall be multiplied by

(iii) the amount of the LIBOR Rate Loan being prepaid.

The resulting amount shall be divided by

(iv) 360

and multiplied by

(v) the number of days remaining in the Interest Period as to which the prepayment is being made.

Said amount shall be reduced to present value calculated by using the referenced United States Treasury securities rate and the number of days remaining on the Interest Period for the LIBOR Rate Loan being prepaid.

The resulting amount of these calculations shall be the LIBOR Rate Loan Prepayment Fee.

(j) If the Bank shall determine (which determination shall, upon notice thereof to the Borrower be conclusive and binding on the Borrower) that the introduction of or any change in or in the interpretation of any law, rule, regulation or guideline (whether or not having the force of law), makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for the Bank to make, continue or maintain any LIBOR Rate Loan as, or to convert any loan into, a LIBOR Rate Loan of a certain duration, the obligations of the Bank to make, continue, maintain or convert into any such LIBOR Rate Loans shall, upon such determination, forthwith be suspended until the Bank shall notify the Borrower that the circumstances causing such suspension no longer exist, and all LIBOR Rate Loans of such type shall automatically convert into Prime Rate Loans at the end of the then current Interest Periods with respect thereto or sooner, if required by such law or assertion.

(k) If, due to payments made by the Borrower pursuant to this Agreement or due to the acceleration of the Obligations or due to any other reason, Bank receives payments of principal of any LIBOR Rate Loan prior to the Maturity Date for such LIBOR Rate Loan, the Borrower shall, upon demand by Bank, pay to Bank any amounts required to compensate Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss, costs or expenses incurred by reason of the liquidation or reemployment.

of deposits or other funds acquired by Bank to fund or maintain such LIBOR Rate Loans

- (l) If the Bank shall have determined that
- (i) US dollar deposits in the relevant amount and for the relevant Interest Period are not available to the Bank in the London Interbank Market,
- (ii) by reason of circumstances affecting the Bank in the London Interbank Market, adequate means do not exist for ascertaining the LIBOR Rate applicable hereunder to LIBOR Rate Loans of any duration, or
- (iii) the LIBOR Rate no longer adequately reflects the Bank's cost of funding loans.

Then, upon notice from the Bank to the Borrower, the obligations of the Bank to make or continue any loans as, or to convert any loans into, LIBOR Rate Loans of such duration shall forthwith be suspended until the Bank shall notify the Borrower that the circumstances causing such suspension no longer exist.

(m) In addition to the LIBOR Rate Loan Prepayment Fee, the Borrower agrees to reimburse the Bank (without duplication) for any increase in the cost to the Bank, or reduction in the amount of any sum receivable by the Bank, in respect, or as a result of,

- (i) any conversion or repayment or prepayment of the principal amount of any LIBOR Rate Loans on a date other than the scheduled last day of the Interest Period applicable thereto,
- (ii) any loans not being made as LIBOR Rate Loans in accordance with the borrowing request thereof,
- (iii) any LIBOR Rate Loans not being continued as, or converted into, LIBOR Rate Loans in accordance with the continuation/conversion notice thereof, or
- (iv) any costs associated with marking to market any Hedging Obligations that (in the reasonable determination of the Bank) are required to be terminated as a result of any conversion, repayment or prepayment of the principal amount of any LIBOR Rate Loan on a date other than the scheduled last day of the Interest Period applicable thereto,

The Bank shall promptly notify the Borrower in writing of the occurrence of any such event, such notice to state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate the Bank for such increased cost or reduced amount. Such additional

amounts shall be payable by the Borrower to the Bank within five days of its receipt of such notice, and such notice shall, in the absence of manifest error, be conclusive and binding on the Borrower. The Borrower understands, agrees and acknowledges the following (a) the Bank does not have any obligation to purchase, sell and/or match funds in connection with the use of LIBOR Rate as a basis for calculating the rate of interest on a LIBOR Rate Loan, (b) the LIBOR Rate may be used merely as a reference in determining such rate, and (c) the Borrower has accepted the LIBOR Rate as a reasonable and fair basis for calculating such rate, the LIBOR Rate Prepayment Fee, and other funding losses incurred by the Bank. Borrower further agrees to pay the LIBOR Rate Prepayment Fee and other funding losses, if any, whether or not the Bank elects to purchase, sell and/or match funds.

(n) If on or after the date hereof the adoption of any applicable law, rule or regulation or guideline (whether or not having the force of law), or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

- (i) shall subject the Bank to any tax, duty or other charge with respect to its LIBOR Rate Loans or its obligation to make LIBOR Rate Loans, or shall change the basis of taxation of payments to the Bank of the principal of or interest on its LIBOR Rate Loans or any other amounts due under this Agreement in respect of its LIBOR Rate Loans or its obligation to make LIBOR Rate Loans (except for the introduction of, or change in the rate of, tax on the overall net income of the Bank or franchise taxes, imposed by the jurisdiction (or any political subdivision or taxing authority thereof) under the laws of which the Bank is organized or in which the Bank's principal executive office is located), or
- (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System of the United States) against assets of, deposits with or for the account of, or credit extended by, the Bank or shall impose on the Bank or on the London Interbank Market any other condition affecting its LIBOR Rate Loans or its obligation to make LIBOR Rate Loans,

and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining any LIBOR Rate Loan, or to reduce the amount of any sum received or receivable by the Bank under this Agreement with respect thereto, by an amount deemed by the Bank to be material, then the Bank shall notify the Borrower thereof within a reasonable time after the occurrence thereof and, within fifteen (15) days after demand by the Bank, the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(o) All payments by the Borrower of principal of, and interest on, the LIBOR Rate Loans and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by the Bank's net income or receipts (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Borrower will:

- (i) pay directly to the relevant authority the full amount required to be so withheld or deducted,
- (ii) promptly forward to the Bank an official receipt or other documentation reasonably satisfactory to the Bank evidencing such payment to such authority, and
- (iii) pay to the Bank such additional amount or amounts as is necessary to ensure that the net amount actually received by the Bank will equal the full amount the Bank would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Bank with respect to any payment received by the Bank hereunder, the Bank may pay such Taxes and the Borrower will promptly pay such additional amount (including any penalties, interest or expenses) as is necessary in order that the net amount received by the Bank after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount the Bank would have received had not such Taxes been asserted.

If the Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Bank the required receipts or other required documentary evidence, the Borrower shall indemnify the Bank for any incremental Taxes, interest or penalties that may become payable by the Bank as a result of any such failure.

(p) Notwithstanding anything to the contrary contained herein, Bank and Borrower agree that after the occurrence of an Event of Default which is continuing, Borrower shall not request and Bank will not make LIBOR Rate Loan.

(q) Without derogating from any rights of the Bank, Borrower shall pay a late charge equal to five (5%) percent of any amounts not paid when due.

(r) All calculation of interest and fees shall be made on the basis of actual number of days elapsed in a 360 year.

(s) All payments shall be applied first to the payment of all fees, expenses and other amounts due to the Bank (excluding principal and interest), then to accrued interest, and the balance on account of outstanding principal, provided, however, that after an Event of Default, payments will be applied to the obligations of Borrower to Bank as Bank determines in its sole discretion.

8 DEFINITION OF QUALIFIED ACCOUNT The term "Qualified Account", as used herein, means an Account owing to Borrower which met the following specifications at the time it came into existence and continues to meet the same until it is collected in full, unless otherwise agreed by the Bank and the Borrower.

(a) The Account is not more than ninety (90) days from the date of the invoice thereof.

(b) The Account arose from the performance of services or an outright sale of goods by Borrower, such goods have been shipped to the account debtor, and Borrower has possession of, or has delivered to Bank, shipping and delivery receipts evidencing such shipment.

(c) The Account is not subject to any prior assignment, claim, lien, or security interest, and Borrower will not make any further assignment thereof or create any further security interest therein, nor permit Borrower's rights therein to be reached by attachment, levy, garnishment or other judicial process.

(d) The Account is not subject to set-off, credit, allowance or adjustment by the account debtor, except discount allowed for prompt payment and the account debtor has not complained as to his liability thereon and has not returned any of the goods from the sale of which the Account arose.

(e) The Account arose in the ordinary course of Borrower's business and did not arise from the performance of services or a sale of goods to a supplier or employee of the Borrower.

(f) No notice of bankruptcy or insolvency of the account debtor has been received by or is known to the Borrower.

(g) The Account is not owed by an account debtor whose principal place of business is outside the United States of America, which are not supported by credit insurance in form and substance reasonably satisfactory to the Bank.

(h) The Account is not owed by an entity which is a parent, brother/sister, subsidiary or affiliate of Borrower.

(i) The account debtor is not located in the State of New Jersey or in the State of Minnesota (or any other state that requires an entity to file a business activity report or similar document in order to bring suit or otherwise enforce its remedies against an account debtor in the courts or through any judicial process of such state), unless (i) Borrower has filed and shall file all legally required Notice of Business Activities Reports with the New Jersey Division of Taxation or the Minnesota Department of Revenue, as the case may be, or (ii) Borrower is exempt from such filing requirement.

(j) The Account when aggregated with all of the Accounts of that account debtor does not exceed fifty (50%) percent of the then aggregate of Qualified Accounts.

(k) The Account is not evidenced by a promissory note.

(l) The Account did not arise out of any sale made on a bill and hold, dating or delayed shipment basis.

(m) The Account does not arise out of a progress billing prior to completion of the order therefor.

(n) Bank has not notified Borrower that Bank, in accordance with its normal credit policies, has deemed the Account to be unacceptable for any reason.

PROVIDED THAT if at any time fifty (50%) percent or more of the aggregate amount of the Accounts due from any account debtor are unpaid in whole or in part more than ninety (90) days from the respective dates of invoice, from and after such time none of the Accounts (then existing or hereafter arising) due from such account debtor shall be deemed to be Qualified Accounts until such time as all Accounts due from such account debtor are (as a result of actual payments received thereon) no more than ninety (90) days from the date of invoice, Accounts payable by Borrower to an account debtor shall be netted against Accounts due from such account debtor and the difference (if positive) shall constitute Qualified Accounts from such account debtor for purposes of determining the Borrowing Base (notwithstanding paragraph (d) above), characterization of any Account due from an account debtor as a Qualified Account shall not be deemed a determination by Bank as to its actual value nor in any way obligate Bank to accept any Account subsequently arising from such account debtor to be, or to continue to deem such Account to be, a Qualified Account, it is Borrower's responsibility to determine the creditworthiness of account debtors and all risks concerning the same and collection of Accounts are with Borrower, and all Accounts whether or not Qualified Accounts constitute Collateral.

9 DEFINITION OF ELIGIBLE INVENTORY The term "ELIGIBLE INVENTORY", AS used herein, means Borrower's finished goods which are initially and at all times until sold new and unused (except, with Bank's written approval, used equipment held for sale or lease), in first-class condition, merchantable and saleable through normal trade channels, at a location which has been identified in writing to Bank, subject to a perfected first priority security interest in favor of Bank,

owned by Borrower free and clear of any lien except in favor of Bank, not obsolete, not scrap, waste, defective goods and the like, have been produced by Borrower in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders promulgated thereunder, not stored with a bailee, warehouseman or similar party unless Bank has given its prior written consent thereto and Borrower has caused each such bailee, warehouseman or similar party to issue and deliver to Bank warehouse receipts in Bank's name for such Inventory, and have not been designated by Bank (with notice thereof to Borrower), in accordance with its normal credit policies, as unacceptable for any reason by notice to Borrower.

10 BANK'S REPORTS. After the end of each month, Bank will render to Borrower a statement of Borrower's loan account with Bank hereunder, showing all applicable credits and debits. Each statement shall be considered correct and to have been accepted by Borrower and shall be conclusively binding upon Borrower in respect of all charges, debits and credits of whatsoever nature contained therein under or pursuant to this Agreement, and the closing balance shown therein, unless Borrower notifies Bank in writing of any discrepancy within sixty (60) days from the mailing by Bank to Borrower of any such monthly statement

11 CONDITIONS OF LENDING.

(a) The obligation of Bank to make the initial loan hereunder or issuing or causing to be issued any Letter of Credit hereunder shall be subject to the condition precedent that Bank shall have received all of the following, each in form and substance reasonably satisfactory to Bank:

(i) This Agreement, properly executed on behalf of Borrower;

(ii) The Master Note drawn to the order of Bank in the face amount of the Credit Limit;

(iii) The Term Note drawn to the order of Bank in the face amount of Equipment Loan;

(iv) A true and correct copy of any and all leases pursuant to which Borrower is leasing any real property, together with a landlord's consent and waiver with respect to such real property;

(v) Current searches of appropriate filing offices showing that (A) no state or federal tax liens have been filed and remain in effect against Borrower, (B) no financing statements have been filed and remain in effect against Borrower, except those financing statements relating to liens set forth on Schedule "B", the liens of the secured lender to be paid with the proceeds of the initial loan and those financing statements filed by the Bank, and (C) the Bank has duly filed all financing statements necessary to perfect the security interests granted hereunder, to the extent the security interests are capable of being perfected by filing;

(vi) A certificate of the Clerk/Secretary or an Assistant Clerk/Secretary of the Borrower, certifying as to (A) the resolutions of the directors and, if required, the shareholders of Borrower, authorizing the execution, delivery and performance of this Agreement and related documents, (B) the Certificate of Incorporation and By-Laws of Borrower, and (C) the signatures of the officers or agents of Borrower authorized to execute and deliver this Agreement and other instruments, agreements and certificates, including loan requests, on behalf of Borrower;

(vii) A current certificate issued by the Secretary of State of the state of the Borrower's incorporation, certifying that Borrower is in compliance with all corporate organizational requirements of such state;

(viii) Evidence that Borrower is duly licensed or qualified to transact business in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary;

(ix) An opinion of counsel to the Borrower, addressed to Bank;

(x) Certificates of the insurance required hereunder, with all hazard insurance containing a lender's loss payable endorsement in favor of Bank;

(xi) A subordination agreement, properly executed by each of the subordinating creditors, if any, in form and substance satisfactory to Bank;

(xii) Payment of the fees due through the date of the initial loan and expenses incurred by Bank through such date required to be paid by Borrower pursuant to this Agreement;

(xiii) A Borrowing Base Certificate which indicates that the Borrower has the necessary loan availability to pay all existing secured lenders;

(xiv) Such other documents, instruments and agreements as Bank may reasonably request.

(b) The obligation of Bank to make each loan shall be subject to the further conditions precedent on such date.

(i) the representations and warranties contained in Sections 3 and 4 hereof are correct on and as of the date of such loan or the issuance of a Letter of Credit, as the case may be, as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date, and;

(ii) no event has occurred and is continuing, or would result from such loan or issuance of such Letter of Credit, as the case may be, which constitutes an Event of Default or which, with notice or the passage of time or both, would constitute an Event of Default.

12 CAPITAL ADEQUACY

If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by the Bank, or person controlling the Bank, and the Bank determines (in its sole and absolute discretion) that the rate of return on its or such controlling person's capital as a consequence of its commitments or the loans made by the Bank is reduced to a level below that which the Bank or such controlling person could have achieved but for the occurrence of any such circumstance, then, in any such case, the Bank shall notify the Borrower thereof within a reasonable time after the occurrence thereof and upon such notice from time to time by the Bank to the Borrower, the Borrower shall promptly pay directly to the Bank additional amounts sufficient to compensate the Bank or such controlling person for such reduction in rate of return. A statement of the Bank as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrower. In determining such amount, the Bank may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

13 COLLECTIONS, SET OFF, DEPOSIT ACCOUNTS, NOTICE OF ASSIGNMENT,
EXPENSES, POWER OF ATTORNEY

(a) Borrower will promptly, upon receipt of all checks, drafts, cash and other remittances in payment of any Inventory sold or in payment or on account of Borrower's accounts, contracts, contract rights, notes, bills, drafts, acceptances, general intangibles, chooses in action and all other forms of obligations, deliver the same to Bank accompanied by a remittance report in form specified by Bank. Said proceeds shall be delivered to Bank in the same form received except for the endorsement of Borrower where necessary to permit collection of items, which endorsement Borrower agrees to make Bank will credit (conditional upon final collection) all such payments against the principal or interest of any loans secured hereby. The order and method of such application shall be in the sole discretion of Bank and any portion of such funds which Bank elects not to so apply shall be paid over from time to time by Bank to Borrower. Bank will at all times have the right to require Borrower (i) to enter into a lockbox arrangement with Bank for the collection of such remittances and payments, or (ii) to maintain its deposit accounts at Bank or, in the alternative, at another financial institution which has agreed to accept drafts drawn on it by Bank under a written depository transfer agreement with Bank and to block Borrower's account and waive its rights as against such account. Notwithstanding anything contained to the contrary herein, said proceeds shall not be applied to the principal of any LIBOR Rate Loan(s), until all Prime Rate Loans have been paid in full. As used in this section, "business day(s)" shall mean any day which is neither a Saturday, Sunday nor holiday on which commercial banks are authorized or required to be closed in Boston, Massachusetts.

(b) Borrower or any guarantor hereby grant to Bank a lien, security interest and right of setoff as security for all liabilities and Obligations to Bank, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity in the control of Bank of America Corporation, or in transit to any of them. At any time during an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any liability or Obligation of Borrower or any guarantor even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

(c) Bank shall be Borrower's main bank of deposit. Borrower shall maintain aggregate collected funds on deposit with the Bank of at least Two Million (\$2,000,000.00) Dollars. Borrower shall maintain with the Bank at least fifty (50%) percent of their invested assets. For each deposit account that Borrower at any time opens or maintains, Borrower shall, at Bank's reasonable request and option, pursuant to an agreement in form and substance reasonably satisfactory to Bank, either (i) cause the depository bank to agree to comply at any time with instructions from Bank to

such depositary bank directing the disposition of funds from time to time credited to such deposit account, without further consent of Borrower, or (ii) arrange for Bank to become the customer of the depositary bank with respect to the deposit account, with Borrower being permitted, only with the consent of Bank, to exercise rights to withdraw funds from such deposit account. Bank agrees with Borrower that Bank shall not give any such instructions or withhold any withdrawal rights from Borrower, unless an Event of Default has occurred and is continuing, or, after giving effect to any withdrawal not otherwise permitted by this Agreement would occur. The provisions of this paragraph shall not apply to (i) any deposit account for which Borrower, the depositary bank and Bank have entered into a cash collateral agreement specially negotiated among Borrower, the depositary bank and Bank for the specific purpose set forth therein, or (ii) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's salaried employees.

(d) Bank may at any time, after the occurrence and during the continuance of an Event of Default or an event which, with notice or the passage of time or both, would constitute an Event of Default, notify account debtors that Collateral has been assigned to Bank and that payments shall be made directly to or as directed by Bank. Upon request of Bank at any such time, Borrower will so notify such account debtors and will indicate on all billings to such account debtors that their Accounts must be paid directly to or as directed by Bank. At any such time, Bank shall have full power to collect, compromise, endorse, sell or otherwise deal with the Collateral or proceeds thereof in its own name or in the name of Borrower.

(e) Borrower shall pay to Bank on demand any and all reasonable counsel fees and other expenses reasonably incurred by Bank in connection with the preparation, interpretation, enforcement, administration or amendment of this Agreement, or of any documents relating thereto, (provided that Bank's counsel fees in connection with the preparation of this Agreement and all documents relating thereto shall not exceed \$10,000.00) and any and all expenses, including, but not limited to, a collection charge on all Accounts collected, all attorneys' fees and expenses, and all other expenses of like or unlike nature which may be expended by Bank to obtain or enforce payment of any Account either as against the account debtor, Borrower, or any guarantor or surety of Borrower or in the prosecution or defense of any action or concerning any matter growing out of or connected with the subject matter of this Agreement, the Obligations or the Collateral or any of Bank's rights or interests therein or thereto, including, without limiting the generality of the foregoing, any counsel fees or expenses incurred in any bankruptcy or insolvency proceedings and all costs and expenses incurred or paid by Bank in connection with the administration, supervision, protection or realization on any security held by Bank for the debt secured hereby, whether such security was granted by Borrower or by any other person primarily or secondarily liable (with or without recourse) with respect to such debt, and all costs and expenses incurred by Bank in connection with the defense, settlement or satisfaction of any action, claim or demand asserted against Bank in connection with the debt secured hereby, all of which amounts shall be considered advances to protect Bank's security, and shall be secured hereby. At its option, and without limiting any other rights or remedies, Bank may at any time pay or discharge any taxes, liens, security interests or other encumbrances at any time levied against or placed on any of the Collateral, and

may procure and pay any premiums on any insurance required to be carried by Borrower, and provide for the maintenance and preservation of any of the Collateral, and otherwise take any action reasonably deemed necessary to Bank to protect its security, and all amounts expended by Bank in connection with any of the foregoing matters, including reasonable attorneys' fees, shall be considered obligations of Borrower and shall be secured hereby.

(f) Borrower does hereby make, constitute and appoint any officer or agent of Bank as Borrower's true and lawful attorney-in-fact, with power during an Event of Default to endorse the name of Borrower or any of Borrower's officers or agents upon any notes, checks, drafts, money orders, or other instruments of payment (including payments payable under any policy of insurance on the Collateral) or Collateral that may come into possession of Bank in full or part payment of any amounts owing to Bank, to sign and endorse the name of Borrower or any of Borrower's officers or agents upon any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with Accounts, and any instrument or documents relating thereto or to Borrower's rights therein, to give written notice to such office and officials of the United States Post Office to effect such change or changes of address so that all mail addressed to Borrower may be delivered directly to Bank, granting upon Borrower's said attorney full power to do any and all things necessary to be done in and about the premises as fully and effectually as Borrower might or could do, and hereby ratifying all that said attorney shall lawfully do or cause to be done by virtue hereof. Neither Bank nor the attorney shall be liable for any acts or omissions nor for any error of judgment or mistake, except for their gross negligence or willful misconduct. This power of attorney shall be irrevocable for the term of this Agreement and all transactions hereunder and thereafter as long as Borrower may be indebted to Bank.

14 FINANCING STATEMENTS. At the request of Bank, Borrower will join with Bank in executing one or more Financing Statements pursuant to the Uniform Commercial Code or other notices appropriate under applicable law in form reasonably satisfactory to Bank and will pay the cost of filing the same in all public offices wherever filing is deemed by Bank to be necessary or desirable. A legible carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement Borrower hereby irrevocably authorizes Bank at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Borrower other than Intellectual Property or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by the Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Borrower is an organization, the type of organization and any organization identification number issued to Borrower, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted Collateral or timber to be cut, a sufficient description of real property to which the Collateral relates Borrower agrees to furnish any such information to Bank promptly upon its reasonable request therefor Borrower also ratifies its authorization for Bank to have filed in any Uniform Commercial

Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

15 BORROWER'S REPORTS

(a) Borrower shall cause all of its invoices, including the copies thereof, to be printed and to bear consecutive numbers and shall prepare and issue its invoices in such consecutive numerical order. If reasonably requested by Bank, all copies of invoices not previously delivered to Bank shall be delivered to Bank with each schedule of Accounts. Copies of all invoices which are voided or canceled or which for any other reason do not evidence an Account shall be included in such delivery. If any invoice or copy thereof is lost, destroyed or otherwise unavailable, Borrower shall account in writing, in form reasonably satisfactory to Bank, for such missing invoice.

(b) Borrower shall deliver to Bank all documents, as frequently as indicated below, or at such other times as Bank may reasonably request, and all other documents and information reasonably requested by Bank.

DOCUMENT	FREQUENCY DUE
(iii) A Borrowing Base Certificate, including accounts receivable agings, inventory report, cash receipts, credit memos, sales, debit memos, the unpaid loan balance, new borrowing requests and the adjusted loan balance.	Monthly within twenty (20) days after the close of each calendar month if the Line of Credit exceeds Six Million (\$6,000,000.00) Dollars during such preceding month.
(ii) Compliance Certificate in the form annexed hereto as Exhibit 5.	As soon as available and in any event within forty-five (45) days after the close of each quarterly period of Borrower's fiscal year.

(c) Borrower will furnish Bank as soon as available, and in any event within forty-five (45) days after the close of each quarterly period of its fiscal year a financial statement prepared by Borrower including, a balance sheet as of the end of such period, and a statement of income and retained earnings for the period commencing at the end of the previous fiscal year and ending with the end of such period, and a statement of cash flows of the Borrower for the portion of the fiscal year ended with the last day of such period, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the previous fiscal year, and all prepared in accordance with generally accepted accounting principles consistently applied, certified by the chief financial officer of the Borrower (subject to year end adjustment).

(d) Borrower will furnish Bank, annually, as soon as available, and in any event within one hundred twenty (120) days after the end of each fiscal year of Borrower, a consolidated audit balance sheet as of the end of such fiscal year, and a statement of income and retained earnings for such fiscal year, and a statement of cash flows for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior fiscal year, and all prepared in accordance with generally accepted accounting principles consistently applied, accompanied by an opinion thereon reasonably acceptable to Bank by independent public accountants selected by the Borrower and reasonably acceptable to Bank.

(e) Borrower will promptly, upon receipt thereof, deliver to Bank, copies of any reports submitted to the Borrower by Borrower's independent public accountants in connection with the examination of the financial statements of the Borrower made by such accountants (the so-called "Management Letter").

(f) In addition to the foregoing, the Borrower promptly shall provide Bank with such other and additional information concerning the Borrower, the Collateral, the operation of the Borrower's business, and the Borrower's financial condition, including financial reports and statements, as Bank may from time to time reasonably request from the Borrower. All financial information provided to the Bank by the Borrower shall be prepared in accordance with generally accepted accounting or auditing principles (as applicable) applied consistently in the preparation thereof and with prior periods to fairly reflect the financial conditions of the Borrower at the close of, and its results of operations for, the periods in question.

16 GENERAL AGREEMENTS OF BORROWER

(a) Borrower agrees to keep all the Collateral insured with coverage and in amounts not less than that usually carried by one engaged in a like business and in any event not less than that reasonably required by Bank with loss payable to Bank and Borrower, as their interests may appear (provided that so long as no Event of Default exists, any amounts received by Bank shall be promptly forwarded to Borrower), hereby appointing Bank as attorney for Borrower during an Event of Default in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts. As further assurance for the payment and performance of the Obligations, Borrower hereby assigns to Bank all sums, including returns of unearned premiums, which may become payable during an Event of Default under any policy of insurance on the Collateral and Borrower hereby directs each insurance company issuing any such policy to make payment of such sums directly to Bank.

(b) Bank or its agents have the right to inspect the Collateral and all records pertaining thereto at intervals to be determined by Bank during Borrower's regular business hours upon reasonable prior notice but without notice any time while an Event of Default exists and without hindrance or delay. Bank shall also have the right to obtain from time to time upon its reasonable request at the sole cost and expense of Borrower an appraisal of the Collateral by an appraiser reasonably acceptable to Bank.

(c) Although, as above set forth, Bank has a continuing security interest in all of Borrower's Collateral and in the proceeds thereof, Borrower will at all times maintain as the minimum security hereunder a Borrowing Base not less than the aggregate unpaid principal of all loans made hereunder and if Borrower fails to do so, Borrower will promptly make the necessary reduction in the unpaid principal amount of said loans so that the loans outstanding hereunder do not in the aggregate exceed the Borrowing Base.

(d) Borrower will at all times keep accurate and complete records of Borrower's Inventory, Accounts and other Collateral, and Bank, or any of its agents, shall have the right to call at Borrower's place or places of business at intervals to be determined by Bank during Borrower's regular business hours upon reasonable prior notice but without notice any time while an Event of Default exists, and without hindrance or delay, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, correspondence which relate to Borrower's Accounts, and other Collateral or other transactions, between the parties thereto and the general financial condition of Borrower and Bank may remove any of such records temporarily for the purpose of having copies made thereof. Borrower shall pay to Bank all reasonable audit fees (not to exceed \$5,000.00 in any calendar year, absent an Event of Default which is continuing), plus all travel and other expenses incurred in connection with any such audit.

(e) Borrower will maintain a standard and modern system of accounting which enables Borrower to produce financial statements in accordance with generally accepted accounting principles and maintain records pertaining to the Collateral that contain information as from time to time may be reasonably requested by Bank.

(f) Borrower will maintain its corporate existence in good standing and comply with all laws and regulations of the United States or of any state or states thereof or of any political subdivision thereof, or of any governmental authority which may be applicable to it or to its business.

(g) Borrower will pay all real and personal property taxes, assessments and charges and all franchises, income, unemployment, old age benefits, withholding, sales and other taxes assessed against it, or payable by it at such times and in such manner as to prevent any penalty from accruing or any lien or charge from attaching to its property.

(h) After consultation with Borrower, Bank may in its own name or in the name of others communicate with account debtors in order to verify with them to Bank's reasonable satisfaction the existence, amount and terms of any Accounts.

(i) This Agreement may but need not be supplemented by separate assignments of Accounts and if such assignments are given the rights and security interests given thereby shall be in addition to and not in limitation of the rights and security interests given by this Agreement.

(j) If any of Borrower's Accounts arise out of contracts with the United States or

any department, agency, or instrumentality thereof, Borrower will promptly notify Bank thereof in writing and while an Event of Default exists execute any instruments and take any steps required by Bank in order that all monies due and to become due under such contracts shall be assigned to Bank and notice thereof given to the Government under the Federal Assignment of Claims Act.

(k) If any of Borrower's Accounts should be evidenced by promissory notes, trade acceptances, or other instruments for the payment of money, Borrower will promptly deliver same to Bank, appropriately endorsed to Bank's order and, regardless of the form of such endorsement, Borrower hereby waives presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto.

(l) If any goods are at any time in the possession of a bailee, Borrower shall promptly notify Bank thereof and, if reasonably requested by Bank, shall promptly obtain an acknowledgment from the bailee, in form and substance reasonably satisfactory to Bank, that the bailee holds such Collateral for the benefit of Bank and shall act upon the instructions of Bank, without the further consent of Borrower, during an Event of Default. Bank agrees with Borrower that Bank shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by Borrower with respect to the bailee.

(m) If Borrower is at any time a beneficiary under a letter of credit now or hereafter issued in favor of Borrower, Borrower shall promptly notify Bank thereof and, at the reasonable request and option of Bank, Borrower shall, pursuant to an agreement in form and substance reasonably satisfactory to Bank, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to Bank of the proceeds of any drawing under the letter of credit, or (ii) arrange for Bank to become the transferee beneficiary of the letter of credit, with Bank agreeing, in each case, that the proceeds of any drawing under the letter of credit are to be applied in the same manner as any other payment on an Account.

(n) If Borrower shall at any time hold or acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the brief details thereof and grant to Bank in such writing a security interest therein, and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

(o) Borrower will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation or upon this Agreement, or upon any note or notes evidencing the Obligations, and will, at the reasonable request of Bank, promptly furnish Bank the receipted bills therefor. At its option, Bank may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral. Borrower agrees to reimburse Bank on demand for any payments made, or any expenses incurred by Bank pursuant to the foregoing authorization, and upon failure of the Borrower so to reimburse Bank, any such sums paid

or advanced by Bank shall be deemed secured by the Collateral and constitute part of the Obligations.

(p) Borrower will promptly notify Bank upon receipt of notification of any potential or known release of hazardous materials, hazardous waste, hazardous or toxic substance or oil from any site operated by Borrower or of the incurrence of any expense or loss in connection therewith or with the Borrower's obtaining knowledge of any investigation, action or the incurrence of any expense or loss by any governmental authority in connection with the assessment, containment or removal of any hazardous material or oil for which expense or loss the Borrower may be liable. As used herein, the terms "hazardous waste," "hazardous or toxic substance," "hazardous material" or "oil" shall have the same meanings as defined and used in any of the following (the "Acts") the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC Sections 9601-9657, as amended by the Superfund Accounts and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act, 42 USC Sections 6901 et seq, the Hazardous Materials Transportation Act, 49 USC Sections 1801 et seq, the Toxic Substances Control Act, 15 USC Sections 2601 et seq, the Federal Water Pollution Control Act, 33 USC Sections 1251 et seq, the Clean Air Act, 42 USC Sections 741 et seq, the Clean Water Act, 33 USC Section 701, the Safe Drinking Water Act, 42 USC Sections 300(f)-300(j), M.G.L.A.c 21E (Massachusetts Oil and Hazardous Material Release Prevention Act), M.G.L.A.c 21C (Massachusetts Hazardous Waste Management Act), and/or the regulations adopted and publications promulgated pursuant to any of the Acts, as the same may be amended from time to time.

(q) Except for Bank's gross negligence or willful misconduct or failure to comply with this Agreement, Borrower will indemnify and save Bank harmless from all loss, costs, damage, liability or expenses (including, without limitation, court costs and reasonable attorneys' fees) that Bank may sustain or incur by reason of defending or protecting this security interest or the priority thereof or enforcing the Obligations, or in the prosecution or defense of any action or proceeding concerning any matter growing out of or in connection with this Agreement and/or any other documents now or hereafter executed in connection with this Agreement and/or the Obligations and/or the Collateral. This indemnity shall survive the repayment of the Obligations and the termination of Bank's agreement to make loans available to Borrower and the termination of this Agreement.

(r) Upon the reasonable request of Bank, Borrower will furnish to Bank, from time to time, within five (5) days after the accrual in accordance with applicable law of Borrower's obligation to make deposits for F.I.C.A. and withholding taxes and/or sales taxes, proof reasonably satisfactory to Bank that such deposits have been made as required.

(s) Should Borrower fail to make any of such deposits or furnish such proof then Bank may, in its sole and absolute discretion, (a) make any of such deposits or any part thereof, (b) pay such taxes, or any part thereof, or (c) set-up such reserves as Bank, in its judgment, shall deem necessary to satisfy the liability for such taxes. Each amount so deposited or paid shall constitute an advance under the terms hereof, repayable on demand with interest, as provided herein, and secured

by all Collateral and any other property at any time pledged by Borrower with Bank. Nothing herein shall be deemed to obligate Bank to make any such deposit or payment or set-up such reserve and the making of one or more of such deposits or payments or the setting-up of such reserve shall not constitute (i) an agreement on Bank's part to take any further or similar action, or (ii) a waiver of any default by Borrower under the terms hereof.

(t) All advances by Bank to Borrower under this Agreement and under any other agreement constitute one general revolving fluctuating loan, and all indebtedness of Borrower to Bank under this and under any other agreement constitute one general Obligation. Each advance to Borrower hereunder or otherwise shall be made upon the security of all of the Collateral held and to be held by Bank. It is distinctly understood and agreed that all of the rights of Bank contained in this Agreement shall likewise apply, insofar as applicable, to any modification of or supplement to this Agreement and to any other agreements between Bank and Borrower. Any default of this Agreement by Borrower shall constitute, likewise, a default by Borrower of any other existing agreement with Bank, and any default by Borrower of any other agreement with Bank shall constitute a default of this Agreement. The entire Obligation of Borrower to Bank shall become due and payable upon termination of this Agreement.

(u) Borrower hereby grants to Bank for a term to commence on the date of this Agreement and continuing thereafter until all debts and Obligations of any kind or character owing from Borrower to Bank are fully paid and discharged, the right to use all premises or places of business which Borrower presently has or may hereafter have and where any of the Collateral may be located, at a total rental for the entire period of \$ 1.00 Bank agrees not to exercise the rights granted in this paragraph unless and until Bank determines to exercise its rights against the Collateral.

(v) Borrower will, at its expense, upon the reasonable request of Bank promptly and duly execute and deliver such documents and assurances and take such actions as may be necessary or desirable or as Bank may reasonably request in order to correct any defect, error or omission which may at any time be discovered or to more effectively carry out the intent and purpose of this Agreement and to establish, perfect and protect Bank's security interest, rights and remedies created or intended to be created hereunder. Without limiting the generality of the above, Borrower will join with Bank in executing financing and continuation statements pursuant to the Uniform Commercial Code or other notices appropriate under applicable Federal or state law in form reasonably satisfactory to Bank and filing the same in all public offices and jurisdictions wherever and whenever reasonably requested by Bank.

(w) Borrower shall perform any and all further steps reasonably requested by Bank to perfect Bank's security interest in Inventory, such as leasing warehouses to Bank or its designee, placing and maintaining signs, appointing custodians, maintaining stock records and transferring Inventory to warehouses. A physical listing of all Inventory, wherever located, shall be taken by Borrower at least annually and whenever requested by Bank if one or more of the Events of Default exist.

(x) Borrower hereby grants to Bank for a term to commence on the date of this Agreement and continuing thereafter until all debts and Obligations of any kind or character owed to Bank are fully paid and discharged, a non-exclusive irrevocable royalty-free license in connection with Bank's exercise of its rights hereunder, to use, apply or affix any trademark, trade name logo or the like and to use any patents, in which the Borrower now or hereafter has rights, which license may be used by Bank upon and after the occurrence of any one or more of the Events of Default, provided, however, that such use by Bank shall be suspended if such Events of Default are cured.

17. BORROWER'S NEGATIVE COVENANTS. Borrower will not at any time

(a) (Capital Base) permit its tangible capital base to be less than \$7,200,000 during the first calendar quarter of each year, \$4,300,000 during the second calendar quarter of each year, \$8,700,000 during the third calendar quarter of each year, and \$13,500,000 during the fourth calendar quarter of each year,

(b) (Subchapter S Corporation) if Borrower is a Subchapter S corporation, make distributions to its shareholders during any fiscal year of Borrower in an aggregate amount greater than the amount necessary to pay federal and state income taxes upon Borrower's undistributed income for such year,

(c) (Disposition of Collateral) sell, assign, exchange or otherwise dispose of any of the Collateral, other than Inventory consisting of (i) scrap, waste, defective goods and the like, (ii) obsolete goods, (iii) finished goods sold in the ordinary course of business or any interest therein to any individual, partnership, trust or other corporation, and Equipment which is no longer required or deemed necessary for the conduct of Borrower's business, so long as Borrower receives therefor a sum substantially equal to such Equipment's fair value, remits such sum to Bank in accordance with the terms of this Agreement or replaces such Equipment with other equipment of similar value which is subject to a first security interest in Bank's favor,

(d) (Liens) create, permit to be created or suffer to exist any lien, encumbrance or security interest of any kind ("LIEN") upon any of the Collateral or any other property of Borrower, now owned or hereafter acquired, except (i) landlords', carriers', warehousemen's, mechanics' and other similar liens arising by operation of law in the ordinary course of Borrower's business, (ii) arising out of pledge or deposits under worker's compensation, unemployment insurance, old age pension, social security, retirement benefits or other similar legislation, (iii) purchase money Liens arising in the ordinary course of business for the purchase of equipment (so long as the indebtedness secured thereby does not exceed the lesser of the cost or fair market value of the property subject thereto, and such Lien extends to no other property), (iv) Liens for unpaid taxes that are either (x) not yet due and payable, or (y) are subject of permitted protests, (v) Liens which are the subject of permitted protests, (vi) those Liens and encumbrances set forth on Schedule "B" annexed hereto, and (vii) in favor of Bank, the term "permitted protests" as used herein means the right of the Borrower to protest any Lien (other than a Lien that secures the Obligations), tax (other than payroll taxes or taxes that are the subject of a federal or state tax lien) or rental payment, provided that (x) a reserve

with respect to such liability is established on the books of the Borrower in an amount that is reasonably satisfactory to the Bank, (y) any such protest is instituted and diligently prosecuted by the Borrower in good faith, and (z) the Bank is reasonably satisfied that, while such protest is pending, there will be no impairment of the enforceability, validity or priority of any of the Liens of the Bank in and to the Collateral,

(e) (Dividends) pay any dividends on or make any distribution on account of (except, if Borrower is a Subchapter S corporation, consistent with paragraph (b) above) any class of Borrower's capital stock in cash or in property (other than additional shares of such stock), or redeem, purchase or otherwise acquire, directly or indirectly, any of such stock, other than stock purchased or redeemed from departing employees, officers, directors or consultants,

(f) (Loans) make any loans or advances to any individual, partnership, trust or other corporation, including without limitation Borrower's directors, officers and employees, except advances to officers or employees with respect to expenses incurred by them in the ordinary course of their duties which are properly reimbursable by Borrower,

(g) (Guarantees) assume, guaranty, endorse or otherwise become directly or contingently liable in respect of (including without limitation by way of agreement, contingent or otherwise, to purchase, provide funds to or otherwise invest in a debtor or otherwise to assure a creditor against loss), any indebtedness (except guarantees by endorsement of instruments for deposit or collection in the ordinary course of business and guarantees in favor of Bank) of any individual, partnership, trust or other corporation,

(h) (Investments) (i) use any loan proceeds to purchase or carry any "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or (ii) invest in or purchase any stock or securities of any individual, partnership, trust or other corporation except (x) readily marketable direct obligations of, or obligations guaranteed by, the United States of America or any agency thereof or (y) time deposits with or certificates of deposit issued by the Bank,

(i) (Transactions with Affiliates) enter into any lease or other transaction with any shareholder, officer or affiliate on terms any less favorable than those which might be obtained at the time from persons who (or entities which) are not such a shareholder, officer or affiliate,

(j) (Subsidiaries) sell, transfer or otherwise dispose of any stock of any subsidiary of Borrower,

(k) (Mergers, Consolidations or Sales) (i) merge or consolidate with or into any corporation other than in connection with a Permitted Acquisition, (ii) enter into any joint venture or partnership with any person, firm or corporation, (iii) convey, lease or sell all or any material portion of its property or assets or business to any other person, firm or corporation, except for the sale of Inventory in the ordinary course of its business, or (iv) convey, lease or sell any of its assets to any person, firm or corporation for less than the fair market value thereof. For purposes of this section

"PERMITTED ACQUISITION" shall mean the acquisition by Borrower of any entity, business, division, or specified group of assets (other than capital assets acquired as a result of capital expenditures if Borrower made in the ordinary course of business), provided that each of the following conditions is met with respect to any such acquisition:

(a) immediately prior to and after giving effect to such acquisition, no Event of Default shall then exist, and Borrower shall have delivered to the Bank a certificate of its chief financial officer to the effect that immediately prior to and after giving effect to such acquisition, no Event of Default exists and attaching, in reasonable detail, computations evidencing compliance with the covenant contained in Section 17(a), immediately prior to and after giving effect to such acquisition,

(b) (i) the aggregate consideration paid or to be paid by Borrower in connection with such acquisitions after the Closing Date shall not, without the prior written consent of the Bank, exceed \$10,000,000 as to any individual acquisition or group of related acquisitions and (ii) the aggregate consideration to be paid in cash as to all such acquisitions in the aggregate during any period of twelve (12) consecutive months shall not, without the prior written consent of the Bank, exceed \$15,000,000, and

(c) either

(i) such acquisition is the acquisition of assets for use in the same line of business as (or a line of business substantially similar or related to) the line of business of the Borrower, or such acquisition represents a brand extension opportunity, and the Bank shall concurrently with the closing of the acquisition be granted a first priority security interest (subject only to Liens permitted hereunder) in such acquired assets, or

(ii) such acquisition involves the purchase of the equity interest of an entity and the following conditions are met:

(A) such entity is in the same line of business (or a substantially similar or related line of business) as Borrower, or such purchase represents a brand extension opportunity, and

(B) contemporaneously with the occurrence of such acquisition, Borrower shall cause such acquired entity to either (i) become a party to this Agreement or (ii) provide a guaranty of Borrower's obligations hereunder, in form and substance reasonably satisfactory to the Bank.

(1) (Change in Legal Status) (i) Change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, and (ii) change its type of organization, jurisdiction or organization or other legal structure

If the Borrower does not have an organizational identification number and later obtains one, the Borrower shall forthwith notify the Lender of such organizational identification number.

For purposes of this section "Affiliate" shall mean any person or entity (i) which directly or indirectly controls, or is controlled by or is under common control with the Borrower or a subsidiary, (ii) which directly or indirectly beneficially holds or owns ten (10%) percent or more of any class of voting stock of the Borrower or any subsidiary, or (iii) ten (10%) percent or more of the voting stock of which is directly or indirectly beneficially owned or held by the Borrower or a subsidiary, "Capital Leases" shall mean capital leases, conditional sales contracts and other title retention agreements relating to the purchase or acquisition of capital assets, "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any person or entity, whether through the ownership of voting securities, by contract or otherwise, "Distributions" shall mean all payment or distributions to shareholders in cash or in property other than reasonable salaries, bonuses and expense reimbursements, "Indebtedness" shall mean (i) all liabilities for borrowed money, for the deferred purchase price of property or services, and under leases which are or should be, under generally accepted accounting principles, recorded as capital leases, in respect of which a person or entity is directly or indirectly, absolutely or contingently liable as obligor, guarantor, endorser or otherwise, or in respect of which such person or entity otherwise assures a creditor against loss, and (ii) all liabilities of the type described in (i) above which are secured by (or for which the holder has an existing right, contingent or otherwise, to be secured by) any lien upon property owned by such person or entity, whether or not such person or entity has assumed or become liable for the payment thereof, "Interest" shall mean, for the applicable period, all interest paid or payable, including, but not limited to, interest paid or payable on indebtedness and on capital leases, determined in accordance with generally accepted accounting principles, "Tangible Capital Base" shall mean Borrower's tangible net worth plus its subordinated indebtedness, and "Tangible Net Worth" shall mean Borrower's stockholders' equity determined in accordance with generally accepted accounting principles, consistently applied, subtracting therefrom (i) intangibles (as determined in accordance with such principles so applied) and (ii) accounts and indebtedness owing to Borrower from any employee or parent, subsidiary or other affiliate of Borrower.

18 DEFAULT, RIGHTS AND REMEDIES UPON DEFAULT.

(a) Upon the occurrence and during the continuance of any one or more of the following events (herein, "Events of Default"), Bank may decline to make any or all further loans or issue Letters of Credit hereunder or under any other agreements with Borrower, any and all Obligations of the Borrower to Bank shall become immediately due and payable, at the option of Bank and without notice or demand. The occurrence and continuance of any such Event of Default shall also constitute, without notice or demand, a default under all other agreements between Bank and the Borrower and instruments and papers given Bank by the Borrower, whether such agreements, instruments, or papers now exist or hereafter arise, namely.

(iv) The failure by the Borrower to pay when due any principal, interest,

fees, costs, and expenses due pursuant to the Master Note, the Term Note or this Agreement.

(v) The failure by the Borrower to pay, when due, any other Obligations.

(vi) Default by the Borrower in the observance or performance of any of the covenants or agreements of the Borrower contained in Sections 13(a) or 17 of this Agreement.

(vii) The failure by the Borrower to promptly, punctually and faithfully perform, or observe any term, covenant or agreement on its part to be performed or observed pursuant to any of the provisions of this Agreement, other than those described in Sections 5(b), 5(f), 5(h), 13(a), 13(d), 17, or in any other agreement with Bank which is not remedied within ten (10) days after notice thereof by Bank to Borrower.

(viii) Any representation or warranty heretofore, now or hereafter made by the Borrower to Bank, in any documents, instrument, agreement, or paper was not true or accurate when given in any material respect.

(ix) The occurrence of any event such that any material indebtedness of the Borrower from any lender other than Bank could be accelerated, notwithstanding that such acceleration has not taken place.

(x) The occurrence of any event which would cause a lien creditor, as that term is defined in Section 9-102 of the Code, to take priority over advances made by Bank.

(xi) A filing against or relating to the Borrower of (A) a federal tax lien in favor of the United States of America or any political subdivision of the United States of America, or (B) a state tax lien in favor of any state of the United States of America or any political subdivision of any such state.

(xii) The occurrence of any event of default under any agreement between Bank and the Borrower or instrument or paper given Bank by the Borrower, whether such agreement, instrument, or paper now exists or hereafter arises (notwithstanding that Bank may not have exercised its rights upon default under any such other agreement, instrument or paper).

(xiii) Any act by, against, or relating to the Borrower, or its property or assets, which act constitutes the application for, consent to, or sufferance of the appointment of a receiver, trustee or other person, pursuant to court action or otherwise, over all, or any part of the Borrower's property.

(xiv) The granting of any trust mortgage or execution of an assignment for

the benefit of the creditors of the Borrower, or the occurrence of any other voluntary or involuntary liquidation or extension of debt agreement for the Borrower, the failure by the Borrower to generally pay the debts of the Borrower as they mature, adjudication of bankruptcy or insolvency relative to the Borrower, the entry of an order for relief or similar order with respect to the Borrower in any proceeding pursuant to Title 11 of the United States Code entitled "Bankruptcy" (hereinafter the "Bankruptcy Code") or any other federal Bankruptcy law, the filing of any complaint, application, or petition by or against the Borrower initiating any matter in which the Borrower is or may be granted any relief from the debts of the Borrower pursuant to the Bankruptcy Code or any other insolvency statute or procedure, the calling or sufferance of a meeting of creditors of the Borrower, the meeting by the Borrower of a formal or informal creditor's committee, the offering by or entering into by the Borrower of any composition, extension or any other arrangement seeking relief or extension for the debts of the Borrower, or the initiation of any other judicial or non-judicial proceeding or agreement by, against or including the Borrower which seeks or intends to accomplish a reorganization or arrangement with creditors.

(xv) The entry of any material judgment(s) against Borrower, which judgment(s) is not satisfied or appealed from (with execution or similar process stayed) within fifteen (15) days of its entry.

(xvi) [reserved].

(xvii) The entry of any court order which enjoins, restrains or in any way prevents the Borrower from conducting all or any substantial part of its business affairs in the ordinary course of business.

(xviii) The service of any process upon Bank seeking to attach by trustee process any funds of the Borrower on deposit with Bank.

(xix) The termination, resignation or departure of the Chief Executive Officer and the Chief Financial Officer of the Borrower, who are not replaced within three (3) months with officers reasonably satisfactory to the Bank, and/or any direct or indirect change of control of the voting capital stock of the Borrower from that existing at the execution of this Agreement such that the current stockholders own less than a majority of the issued and issuable voting capital stock of the Borrower.

(xx) The occurrence of any material uninsured loss, theft, damage or destruction to any material asset(s) of the Borrower.

(xxi) Any act by or against, or relating to the Borrower or its assets pursuant to which any creditor of the Borrower seeks to reclaim or repossess or reclaims or repossesses all or a portion of the Borrower's assets.

(xxii) The termination of existence, dissolution, or liquidation of the Borrower, or the ceasing to carry on actively any substantial part of Borrower's current business.

(xxiii) This Agreement shall, at any time after its execution and delivery and for any reason, cease (A) to create a valid and perfected first priority security interest in and to the Collateral purported to be subject to this Agreement, or (B) to be in full force and effect or shall be declared null and void, or the validity or enforceability hereof shall be contested by the Borrower.

(xxiv) Any of the following events occur or exist with respect to the Borrower or any ERISA affiliate (A) any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Internal Revenue Code) involving any Plan, (B) any "reportable event" (as defined in Section 4043 of ERISA and the regulations issued under such Section) shall occur with respect to any Plan, (C) The filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan, (D) any event or circumstance exists which might constitute grounds entitling the Pension Benefit Guaranty Corporation (PBGC) to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings, or (E) partial withdrawal under Section 4201 or 4204 of ERISA from a Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan, and in each case above, such event or condition, together with all other events or conditions, if any, could in the opinion of Bank subject the Borrower to any tax, penalty, or other liability to a Plan, a Multiemployer Plan, the PBGC, or otherwise.

Upon the occurrence and during the continuance of an Event of Default, Bank may declare any obligation Bank may have hereunder to be cancelled, declare all Obligations of Borrower to be due and payable and proceed to enforce payment of the Obligations and to exercise any and all of the rights and remedies afforded to Bank by the Uniform Commercial Code or under the terms of this Agreement or otherwise. In addition, upon the occurrence and during the continuance of an Event of Default, if Bank proceeds to enforce payment of the Obligations, Borrower shall be obligated to deliver to Bank cash collateral in an amount equal to the aggregate amounts then undrawn on all outstanding Letters of Credit or acceptances issued or guaranteed by Bank for the account of Borrower, and Bank may proceed to enforce payment of the same and to exercise all rights and remedies afforded to Bank by the Uniform Commercial Code or under the terms of this Agreement or otherwise. Upon the occurrence of, and during the continuance of, an Event of Default, the Borrower, as additional compensation to the Bank for its increased credit risk, promises to pay interest on all Obligations (including, without limitation, principal, whether or not past due, past due interest and any other amounts past due under this Agreement) at a per annum rate of five (5%) percent greater than the rate of interest then specified in Section 7 of this Agreement.

(b) Upon the filing of any complaint, application, or petition by or against the Borrower initiating any matter in which the Borrower is or may be granted any relief from the debts of the Borrower pursuant to the Bankruptcy Code, Bank's obligation hereunder shall be canceled immediately, automatically, and without notice, and all Obligations of the Borrower then outstanding shall become immediately due and payable without presentation, demand, or notice of any kind to the Borrower, provided, however, it shall not be an Event of Default hereunder if any such complaint is filed against the Borrower which is being diligently contested by Borrower until the earlier of (i) the entry of an order for relief, or (ii) sixty (60) days without the dismissal of such complaint.

(c) Any sale or other disposition of the Collateral may be at public or private sale upon such terms and in such manner as the Bank deems advisable, having due regard to compliance with any statute or regulation which might affect, limit or apply to the Bank's disposition of the Collateral. The Bank may conduct any such sale or other disposition of the Collateral upon the Borrower's premises. Unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market (in which event the Bank shall provide the Borrower with such notice as may be practicable under the circumstances), the Bank shall give the Borrower at least the greater of the minimum notice required by law or ten (10) days prior written notice of the date, time and place of any proposed public sale, and of the date after which any private sale or other disposition of the Collateral may be made. The Bank may purchase the Collateral, or any portion of it at any public sale.

(d) If the Bank sells any of the Collateral on credit, the Borrower will be credited only with payments actually made by the purchaser of such Collateral and received by the Bank. If the purchaser fails to pay for the Collateral, the Bank may re-sell the Collateral and the Borrower shall be credited with the proceeds of the sale.

(e) In connection with the Bank's exercise of the Bank's rights after the occurrence and during the continuance of an Event of Default, the Bank, in accordance with applicable law, peaceably may enter upon, occupy and use any premises owned or occupied by the Borrower, and may exclude the Borrower from such premises or portion thereof as may have been so entered upon, occupied, or used by the Bank. The Bank shall not be required to remove any of the Collateral from any such premises upon the Bank's taking possession thereof, and may render any Collateral unusable to the Borrower. In no event shall the Bank be liable to the Borrower for use or occupancy by the Bank of any premises pursuant to this Agreement.

(f) Upon the occurrence and during the continuance of any Event of Default, the Bank may require the Borrower to assemble the Collateral and make it available to the Bank at the Borrower's sole risk and expense at a place or places which are reasonably convenient to both the Bank and the Borrower.

19. STANDARDS FOR EXERCISING REMEDIES. To the extent that applicable law imposes duties on Bank to exercise remedies in a commercially reasonable manner, Borrower

acknowledges and agrees that it is not commercially unreasonable for Bank (a) to fail to incur expenses reasonably deemed significant by Bank to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as Borrower, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (h) to dispose of the Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties specifically to disclaim any warranties of title or the like, (k) to purchase insurance or credit enhancements to insure Bank against risks of loss, collection or disposition of Collateral or to provide to Bank a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by Bank, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Bank in the collection or disposition of any of the Collateral. Borrower acknowledges that the purpose of this section is to provide non-exhaustive indications of what actions or omissions by Bank would not be commercially unreasonable in Bank's exercise of remedies against the Collateral and that other actions or omissions by Bank shall not be deemed commercially unreasonable solely on account of not being indicated in this section. Without limitation upon the foregoing, nothing contained in this section shall be construed to grant any rights to Borrower or to impose any duties on Bank that would not have been granted or imposed by this Agreement or by applicable law in the absence of this section.

20. PROCESSING AND SALES OF INVENTORY. So long as Borrower is not in default hereunder, Borrower shall have the right, in the regular course of business, to process and sell Borrower's Inventory, and, except for any interests in the proceeds thereof, such sale shall be free and clear of the security interest granted to the Bank hereunder. A sale in the ordinary course of business shall not include a transfer in total or partial satisfaction of a debt.

21. WAIVER OF JURY TRIAL. BORROWER AND BANK EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE OR HEREAFTER HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. Borrower hereby certifies that neither Bank nor any of its representatives, agents or counsel has represented, expressly or otherwise, that Bank would not, in the event of any such suit, action or proceeding, seek to enforce this waiver of right to trial by jury. Borrower acknowledges that Bank has been induced to

enter into this Agreement by, among other things, this waiver. Borrower acknowledges that it has read the provisions of this Agreement and in particular, this section, has consulted legal counsel, understands the right it is granting in this Agreement and is waiving in this section in particular, and makes the above waiver knowingly, voluntarily and intentionally.

22. CONSENT TO JURISDICTION. Borrower and Bank agree that any action or proceeding to enforce or arising out of this Agreement may be commenced in any court of the Commonwealth of Massachusetts sitting in the counties of Suffolk or Middlesex, or in the District Court of the United States for the District of Massachusetts, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the Commonwealth of Massachusetts or the United States of America.

23. TERMINATION.

(a) Unless renewed in writing, this Agreement solely as it relates to the Line of Credit shall terminate on May 26, 2007 (the "TERMINATION DATE"), and all Obligations as they relate to the Line of Credit shall be due and payable in full without presentation, demand, or further notice of any kind, whether or not all or any part of the Obligations is otherwise due and payable pursuant to the agreement or instrument evidencing same. Bank may terminate this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of Default. Notwithstanding the foregoing or anything in this Agreement or elsewhere to the contrary, the security interest, Bank's rights and remedies hereunder and Borrower's obligations and liabilities hereunder shall survive any termination of this Agreement and shall remain in full force and effect until all of the Obligations outstanding, or contracted or committed for (whether or not outstanding), shall be finally and irrevocably paid in full, and shall thereupon terminate. No Collateral shall be released or financing statement terminated until such final and irrevocable payment in full of the Obligations, as described in the preceding sentence, whereupon all Collateral shall be released and the Bank shall take all action reasonably requested by the Borrower to terminate or authorize the termination of all financing statements and comparable documents.

(b) In the event that Bank continues to make loans under the Line of Credit after the Termination Date without a written extension of such Termination Date or after the occurrence of and during the continuance of an Event of Default, all such loans (i) shall be made in the sole and absolute discretion of Bank, and (ii) shall, together with all other Obligations, be payable thereafter ON DEMAND.

24. ARBITRATION.

(a) Except to the extent expressly provided below, any Dispute (as defined below) shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law),

the applicable rules for arbitration of disputes of the Judicial and Mediation Service ("JAMS") and the "Special Rules" set forth below "Dispute" means any controversy, claim or dispute between or among the parties to this Loan Agreement, including any controversy, claim or dispute arising out of or relating to (a) this Loan Agreement, (b) any other Loan Documents, (c) any related agreements or instruments, or (d) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower, Guarantor or Bank, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Loan Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this dispute resolution provision only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of Bank involved in the servicing, management or administration of any obligation described in or evidenced by this Loan Agreement, together with the officers, employees, successors and assigns of each of the foregoing.

(b) (i) The arbitration shall be conducted in Boston, Massachusetts.

(ii) The arbitration shall be administered by JAMS, who will appoint an arbitrator, if JAMS is unable or legally precluded from administering the arbitration, then the American Arbitration Association will serve. All Disputes shall be determined by one arbitrator, however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Loan Agreement, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement, provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will have the authority to decide whether any Dispute is barred by the statute of limitations and, if so, to dismiss the arbitration on that basis. For purposes of the application of the statute of limitations, the service on JAMS under applicable JAMS rules of a notice of Disputes is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a

Dispute is arbitrable, shall be determined by the arbitrator.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Loan Agreement.

(c) Nothing in this Loan Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Loan Agreement, or (ii) apply to or limit the right of Bank (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Loan Agreement in a third-party proceeding in any action brought against Bank in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Bank may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Loan Agreement. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Loan Agreement, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

25. MISCELLANEOUS.

(a) No delay or omission on the part of Bank in exercising any rights shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Bank's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently.

(b) Bank is authorized to make loans under the terms of this Agreement upon the

request, either written or oral, in the name of Borrower or any authorized person whose name appears at the end of this Agreement or of any of the following named person, or persons from time to time, holding the following offices of Borrower, President, Treasurer and such other officers and authorized signatories as may from time to time be set forth in separate resolutions. Any request for a loan which is not accompanied by a Notice of Borrowing shall be deemed a request for a Prime Rate Loan.

(c) This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties hereto, provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Bank's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Bank shall release Borrower from its Obligations. Bank may assign this Agreement and its rights and duties hereunder and no consent or approval by Borrower is required in connection with any such assignment. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Bank's rights and benefits hereunder. In connection with any assignment or participation, Bank may disclose all documents and information which Bank now or hereafter may have relating to Borrower or Borrower's business. To the extent that Bank assigns its rights and obligations hereunder to another party, Bank thereafter shall be released from such assigned obligations to Borrower and such assignment shall effect a novation between Borrower and such other party.

(d) Borrower agrees that any and all loans made by Bank to Borrower or for its account under this Agreement shall be conclusively deemed to have been authorized by Borrower and to have been made pursuant to duly authorized requests therefor on its behalf.

(e) Unless otherwise defined in this Agreement, capitalized words shall have the meanings set forth in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts as of the date of this Agreement.

(f) Paragraph and section headings used in this Agreement are for convenience only, and shall not effect the construction of this Agreement. If one or more provisions of this Agreement (or the application thereof) shall be invalid, illegal or unenforceable in any respect in any jurisdiction, the same shall not, invalidate or render illegal or unenforceable such provision (or its application) in any other jurisdiction or any other provision of this Agreement (or its application). This Agreement is the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior written or verbal communications or instruments relating thereto.

(g) Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other loan document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, or telefacsimile to Borrower or to Bank, as the case may be, at its address set forth below.

If to Bank Fleet National Bank
100 Federal Street
Boston, Massachusetts 02110
Attn. Ms. Debra J. Drapalla,
Senior Vice President
Telephone (617) 434-5395
Telecopier (617) 434-4896

With a copy to Goulston & Storrs, P C
400 Atlantic Avenue
Boston, Massachusetts 02110
Attn. James H. Lerner, Esquire
Telephone (617)574-3525
Telecopier (617)574-7607

If to Borrower iRobot Corporation
63 South Avenue
Burlington, Massachusetts 01803
Attn. Mr. Joseph P. Mullin
Telephone (781)418-3187
Telecopier (781) 345-0201

With a copy to Goodwin Procter LLC
53 State Street
Boston, Massachusetts 02110
Attn. Mark T. Bettencourt, Esquire
Telephone (617) 570-1091
Telecopier (617)523-1231

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. All notices or demand sent in accordance with this section shall be deemed received on the earlier of the date of actual receipt or three (3) days after the deposit thereof in the mail.

(h) Bank shall have no obligation to maintain any electronic records or any documents, schedules, invoices, agings or any other paper delivered to Bank by Borrower in connection with this Agreement or any other agreement for more than four (4) months after receipt of the same by Bank.

(i) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Bank or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

(j) Each provision of this Agreement shall be severable from every other

provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(k) This Agreement, together with the other documents and instruments executed concurrently herewith represent the entire and final understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by evidence of any prior, contemporaneous or subsequent other agreement, oral or written, before the date hereof.

(l) This Agreement can only be amended by a writing signed by both Bank and Borrower.

(m) Bank may at any time pledge or assign all or any portion of its rights under the Loan Documents including any portion of this Agreement to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or assignment or enforcement thereof shall release Bank from its obligations under any of the Loan Documents.

(n) The laws of Massachusetts shall govern the construction of this Agreement and the rights and duties of the parties hereto. This Agreement shall take effect as a sealed instrument.

Witnessed by

/s/ David Weller

David Weller

iROBOT CORPORATION

By /s/ Geoffrey P. Clear

Address 63 South Avenue
Burlington, Massachusetts 01803

FLEET NATIONAL BANK, a Bank of America
company

By /s/ Debra Diapalla

Senior Vice President

Address 100 Federal Street
Boston, Massachusetts 02110

EXHIBIT 1

FLEET NATIONAL BANK
A BANK OF AMERICA COMPANY

REVOLVING NOTE

\$20,000,000.00

Boston, Massachusetts
May 26, 2005

For value received, the undersigned, iRobot Corporation, a Delaware corporation (the "BORROWER"), hereby promises to pay on May 26, 2007 to the order of Fleet National Bank, a Bank of America company (the "BANK"), at its main office in Boston, Massachusetts, or at any other place designated at any time by the holder hereof, in lawful money of the United States of America and in immediately available funds, the principal sum of Twenty Million (\$20,000,000.00) Dollars, or, if less, the aggregate unpaid principal amount of all loans made by the Bank to the Borrower under the Loan Agreement (defined below) together with interest on the principal amount hereunder remaining unpaid from time to time, computed on the basis of the actual number of days elapsed and a 360-day year, from the date hereof until this Note is fully paid at the rate(s) from time to time in effect under the Loan and Security Agreement of even date herewith (the "Loan Agreement") by and between the Bank and the Borrower. The principal hereof and interest accruing thereon shall be due and payable as provided in the Loan Agreement. This Note may be prepaid only in accordance with the Loan Agreement.

This Note is issued pursuant, and is subject, to the Loan Agreement, which provides, among other things, for acceleration hereof. This Note is the "Note" referred to in the Loan Agreement.

Bank shall have the option of imposing, and Borrower shall pay upon billing therefor, an interest rate which is five (5%) percent per annum above the interest rate otherwise payable ("Default Rate") (a) during any Event of Default, unless and until the Event of Default is waived by Bank and (b) after the Termination Date.

Borrower shall pay, upon billing therefor, a "Late Charge" equal to five (5%) percent of the amount of any payment of principal, other than principal due at the Termination Date, interest, or both, which is not paid when due. Late charges are (a) payable in addition to, and not in limitation of, the Default Rate, (b) intended to compensate Bank for administrative and processing costs incident to late payments, (c) are not interest, and (d) shall not be subject to refund or rebate or credited against any other amount due.

This Note is secured, among other things, pursuant to the Loan Agreement, and may now or hereafter be secured by one or more other security agreements, mortgages, deeds of trust, assignments or other instruments or agreements.

The Borrower hereby agrees to pay all costs of collection, including reasonable attorneys' fees and legal expenses in the event this Note is not paid when due, whether or not legal proceedings are commenced.

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

Bank may at any time pledge or assign all or any portion of its rights under the Loan Documents including any portion of this Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or assignment or enforcement thereof shall release Bank from its obligations under any of the Loan Documents.

Upon receipt of an affidavit and indemnity of an officer of Bank as to the loss, theft, destruction or mutilation of the Note or any other security document which is not of public record, and, in the case of such loss, theft, destruction or mutilation, upon cancellation of such Note or other security document, Borrower will issue, in lieu thereof, a replacement note or other security document in the same principal amount thereof and otherwise of like tenor.

This Note is intended by the parties as the final, complete and exclusive statement of the transactions evidenced by this Note. All prior or contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Note and no party is relying on any promise, agreement or understanding not set forth in this Note. This Note may not be amended or modified except by a written instrument describing such amendment or modification executed by Borrower and Bank.

All rights and obligations hereunder shall be governed by the laws of the Commonwealth of Massachusetts and this Note shall be deemed to be under seal.

iROBOT CORPORATION

By _____

EXHIBIT 2

TERM NOTE

\$2,000,000.00

Boston, Massachusetts
May 26, 2005

1. Promise To Pay.

FOR VALUE RECEIVED, iRobot Corporation, a Delaware corporation having an address at 63 South Avenue, Burlington, Massachusetts 01803 ("Borrower") promises to pay to the order of FLEET NATIONAL BANK, a Bank of America company, a national banking association, having an address at 100 Federal Street, Boston, Massachusetts 02110 ("Lender"), the principal sum of TWO MILLION (\$2,000,000.00) DOLLARS, with interest thereon, or on the amount thereof from time to time outstanding, to be computed, as hereinafter provided, on each advance from the date of its disbursement until such principal sum shall be fully paid. Interest shall be payable in installments as set forth in Section 4 below. The total principal sum, or the amount thereof outstanding, together with any accrued but unpaid interest, shall be due and payable in full on May 26, 2012 ("Maturity Date"), which term is further defined in, and is subject to acceleration in accordance with, the Loan and Security Agreement (the "Loan Agreement") between Borrower and Lender dated as of even date as may be amended from time to time. Any amounts repaid by the Borrower may not be reborrowed.

2. Loan Agreement.

This Note is issued pursuant to the terms, provisions and conditions of the Loan Agreement and evidences the Equipment Term Loan made pursuant thereto. Capitalized terms used herein which are not otherwise specifically defined shall have the same meaning herein as in the Loan Agreement.

3. Interest Rates.

3.1. Borrower's Options. Principal amounts outstanding under this Note shall bear interest at the following rates, at Borrower's selection, subject to the conditions and limitations provided for in this Note (i) Prime Rate or (ii) LIBOR Based Rate.

3.1.1. Selection To Be Made. Borrower shall select, and thereafter may change the selection of, the applicable interest rate, from the alternatives otherwise provided for in this Note, by giving Lender a Notice of Rate Selection (i) prior to the initial Loan Advance, (ii) prior to the end of each Interest Period applicable to a LIBOR Rate Loan or (iii) on any Business Day on which Borrower desires to convert an outstanding Prime Rate Loan to a LIBOR Rate Loan, provided, however, if an Event of Default exists, Borrower's right to select interest rate options other than ones based upon the Prime Rate shall cease.

3.1.2. Notice. A "Notice of Rate Selection" shall be a written notice, given by cable, telex, telecopier (with authorized signature), or by telephone if immediately confirmed by such a written notice, from an authorized representative of Borrower which (i) is irrevocable, (ii) is received by Lender not later than 10:00 o'clock A.M. Boston time (a) if a LIBOR Based Rate is selected, at least three (3) Business Days prior to the first day of the Interest Period to which such selection is to apply, or (b) if a Prime Rate Loan is selected, on

option, sets forth the aggregate principal amount(s) to which such interest rate option(s) shall apply and the Interest Period(s) applicable to each LIBOR Rate Loan.

3.1.3. If No Notice. If Borrower fails to select an interest rate option in accordance with the foregoing prior to the closing date hereof, or prior to the last day of the applicable Interest Period of an outstanding LIBOR Rate Loan, or if a LIBOR Rate Loan is not available, any loan made shall be deemed to be a Prime Rate Loan, and on the last day of the applicable Interest Period all outstanding principal amounts shall be deemed converted to a Prime Rate Loan.

3.3. Telephonic Notice. Without any way limiting Borrower's obligation to confirm in writing any telephonic notice, Lender may act without liability upon the basis of telephonic notice reasonably believed by Lender to be from Borrower prior to receipt of written confirmation. In each case Borrower hereby waives the right to dispute Lender's record of the terms of such telephonic Notice of Rate Selection in the absence of manifest error.

3.4. Limits On Options, One Selection Per Month. Each LIBOR Rate Loan shall be in a minimum amount of \$250,000.00. At no time shall there be outstanding a total of more than five (5) LIBOR Rate Loans combined at any time. If Borrower shall make more than one (1) interest rate selection in any thirty (30) day period, excluding conversions of outstanding advances made at the end of an applicable Interest Period of any previously outstanding LIBOR Rate Loan, Lender may impose and Borrower shall pay a reasonable processing fee for each such additional selection.

4. Payment of Interest and Principal.

4.1. Payment and Calculation of Interest. All interest on Prime Rate Loans shall be (a) payable in arrears on the first day of each month commencing on June 1, 2005 and on the same day of each month thereafter until the principal together with all interest and other charges payable with respect to the Loan shall be fully paid, and (b) calculated on the basis of a 360 day year and the actual number of days elapsed. Each change in the Prime Rate shall simultaneously change the Prime Rate payable under this Note. Interest at the LIBOR Based Rate shall be computed from and including the first day of the applicable Interest Period to, but excluding, the last day thereof and shall be payable in arrears for any LIBOR Based Rate having an Interest Period of three months or less, the last Business Day of such Interest Period, and as to any LIBOR Based Rate having an Interest Period longer than three months, each Business Day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

4.2. Principal. Principal shall be payable on the first day of each month commencing on June 1, 2007 and on the same day of each month thereafter in 59 monthly consecutive principal installments of each equal to the Principal Repayment Amount with the entire outstanding principal balance and all other interest, expenses and charges due and payable in full upon Maturity.

4.3. Prepayment. The Loan or any portion thereof may be prepaid in full or in part at any time upon one (1) day's prior written notice to the holder of this Note without premium or penalty with respect to Prime Rate Loans and, with respect to LIBOR Rate Loans subject to applicable provisions of Sections 4.10 and 4.11 hereof. Any partial prepayment of principal shall first be applied to any installment of principal then due and then be applied to the

principal due in the reverse order of maturity, and no such partial prepayment shall relieve Borrower of the obligation to pay each subsequent installment of principal when due.

4.4 Maturity. At Maturity all accrued interest, principal and other charges due with respect to the Loan shall be due and payable in full and the principal balance and such other charges, but not unpaid interest, shall continue to bear interest at the Default Rate until so paid.

4.5 Method of Payment, Date of Credit. All payments of interest, principal and fees shall be made in immediately available funds, without counterclaim or set off and free and clear of, and without any deduction or withholding for, any taxes or other payments (a) by direct charge to an account of Borrower maintained with Lender (or the then holder of the Loan), or (b) by wire transfer to Lender or (c) by check payable to Lender and delivered to Lender at 100 Federal Street, Boston, Massachusetts, or (d) to such other bank or address as the holder of the Loan may designate in a written notice to Borrower. Payments shall be credited on the Business Day on which immediately available funds are received prior to one o'clock P.M. Eastern Time, payments received after one o'clock P.M. Eastern Time shall be credited to the Loan on the next Business Day. Payments which are by check, which Lender may at its option accept or reject, or which are not in the form of immediately available funds shall not be credited to the Loan until such funds become immediately available to Lender, and, with respect to payments by check, such credit shall be provisional until the item is finally paid by the payor bank.

4.6 Billings. Lender may submit billings reflecting payments due, however, any changes in the interest rate which occur between the date of billing and the due date may be reflected in the billing for a subsequent month. Neither the failure of Lender to submit a billing nor any error in any such billing shall excuse Borrower from the obligation to make full payment of all Borrower's payment obligations when due but Borrower shall not be in default if Borrower pays in full the amount billed in good faith.

4.7 Application of Payments. All payments shall be applied first to the payment of all fees, expenses and other amounts due to the Lender (other than principal and interest), then to accrued interest, and thereafter to outstanding principal, provided, however, after the occurrence of any Default which is continuing or any Event of Default, payments will be applied to the Obligations of Borrower in such order and manner as Lender determines in its sole discretion.

4.8 Default Rate. Lender shall have the option of imposing, and Borrower shall pay upon billing therefor, an interest rate which is five percent (5%) per annum above the interest rate otherwise payable ("Default Rate") (a) following any Event of Default, unless and until the Event of Default is waived by Lender, and (b) after Maturity.

4.9 Late Charges. Borrower shall pay, upon billing therefor, a "Late Charge" equal to five percent (5%) of the amount of any payment of principal, other than principal due at Maturity, interest, or both, which is not paid when the due date thereof. Late charges are (a) payable in addition to, and not in limitation of, the Default Rate, (b) intended to compensate Lender for administrative and processing costs incident to late payments, (c) are not interest, and (d) shall not be subject to refund or rebate or credited against any other amount due.

4.10 Calculation of Yield Maintenance.

(i) Borrower may prepay a LIBOR Rate Loan only upon at least three (3) Business Days prior written notice to Lender (which notice shall be irrevocable), and any such prepayment shall occur only on the last day of the Interest Period for such LIBOR Rate Loan. Borrower shall pay to Lender, upon request of Lender, such amount or amounts as shall be sufficient (in the reasonable opinion of Lender) to compensate it for any loss, cost or expense incurred as a result of (i) any payment of a LIBOR Rate Loan on a date other than the last day of the Interest Period for such Loan, (ii) any failure by Borrower to borrow a LIBOR Rate Loan on the date specified by Borrower's written notice, (iii) any failure by Borrower to pay a LIBOR Rate Loan on the date for payment specified in Borrower's written notice. Without limiting the foregoing, Borrower shall pay to Lender a "yield maintenance fee" in an amount computed as follows. The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the term chosen pursuant to the LIBOR Rate Election as to which the prepayment is made, shall be subtracted from the LIBOR Based Rate in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the term chosen pursuant to the LIBOR Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the above referenced term chosen pursuant to the LIBOR Rate Election as to which prepayment is made. The resulting amount shall be the yield maintenance fee due to Lender upon the prepayment of a LIBOR Rate Loan. Each reference in this paragraph to "LIBOR Rate Election" shall mean the election by Borrower of the LIBOR Based Rate. If by reason of an Event of Default, Lender elects to declare the note to be immediately due and payable, then any yield maintenance fee with respect to a LIBOR Rate Loan shall become due and payable in the same manner as though Borrower had exercised such right of prepayment.

(ii) The foregoing yield maintenance fees shall be payable in respect of all prepayments of principal whether voluntary or involuntary including, without limitation, prepayments made upon acceleration of the Loan, or application of insurance or eminent domain proceeds.

(iii) Once written notice of intention to prepay is given, the Loan, or the applicable portion thereof, shall become due and payable in full on the date specified in the notice of prepayment and the failure to so prepay the loan on such date, together with any applicable yield maintenance fees, shall constitute an Event of Default.

(iv) If during an Event of Default Lender elects to declare the Loan to be immediately due and payable, then any yield maintenance fee with respect to the Loan shall become due and payable in the same manner as though Borrower had exercised such right of prepayment.

4.11 Make Whole Provision. Without duplication of any yield maintenance fee payable under Section 4.10, Borrower shall pay to Lender, immediately upon request and notwithstanding contrary provisions contained in any of the Loan Documents, such amounts as shall, in the conclusive judgment of Lender (in the absence of manifest error), compensate Lender for the loss, cost or expense which it may reasonably incur as a result of

(i) any payment or prepayment, under any circumstances whatsoever, whether voluntary or involuntary, of all or any portion of a LIBOR Rate Loan on a date other than the last day of the applicable Interest Period of a LIBOR Rate Loan, or (ii) the conversion, for any reason whatsoever, whether voluntary or involuntary, of any LIBOR Rate Loan to a Prime Rate Loan on a date other than the last day of the applicable Interest Period. Such amounts payable by Borrower shall be equal to any administrative costs actually incurred plus any amounts required to compensate for any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by Lender to fund or maintain a LIBOR Rate Loan.

5. Certain Definitions and Provisions Relating To Interest Rate.

5.1 Banking Day. The term "Banking Day" means any day other than a Saturday, Sunday, legal holiday, or day on which banks are not required or authorized by law to close in the city in which Lender's principal office is situated.

5.2 Event of Default. As defined in the Loan Agreement.

5.3 LIBOR Rate Loan. The term "LIBOR Rate Loan" means any principal outstanding under this Note which pursuant to this Note bears interest at the LIBOR Based Rate.

5.4 LIBOR Based Rate. The term "LIBOR Based Rate" means the per annum rate of interest equal to the applicable LIBOR Rate, plus 125 basis points.

5.5 Loan Advances or Loan. The term "Loan Advances" or "Loan" shall mean the advance of proceeds under this Note.

5.6 Loan Agreement. The "Loan Agreement" means the Loan and Security Agreement of even date executed by the Borrower and the Lender, as may be amended.

5.7 Loan Documents. The documents, instruments, and agreements inclusive of this Note executed by the Borrower in connection with this Note.

5.8 Maturity. The term "Maturity" means the Maturity Date, or in any instance, upon acceleration of the Loan, if the Loan has been accelerated by Lender upon an Event of Default.

5.9 Obligations. As defined in the Loan Agreement.

5.10 Prime Rate. The term "Prime Rate" means the per annum rate of interest so designated from time to time by the Lender as its prime rate minus 100 basis points, with changes therein to be effective simultaneously with any change in the Prime Rate without notice or demand of any kind. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer.

5.11 Principal Repayment Amount. The term "Principal Repayment Amount" means an amount equal to the outstanding principal amount of the Equipment Term Loan at the termination of the Draw Period divided by sixty (60), payable on each Interest Payment Date commencing on the first Interest Payment Date following the termination of the Draw Period and continuing during the term of the Equipment Term Loan.

5.12 Treasury Rate. The term "Treasury Rate" means, as of the date of any calculation or determination, the latest published rate for United States Treasury Notes or Bills (but the rate on Bills issued on a discounted basis shall be converted to a bond equivalent) as published weekly in the Federal Reserve Statistical Release H 15(519) of Selected Interest Rates in an amount which approximates (as determined by Lender) the amount (i) approximately comparable to the portion of the Loan to which the Treasury Rate applies for the Interest Period, or (ii) in the case of a prepayment, the amount prepaid and with a maturity closest to the original maturity of the installment which is prepaid in whole or in part.

6. Additional Provisions Related to Interest Rate Selection.

6.1 Increased Costs. If, due to any one or more of (i) the introduction of any applicable law or regulation or any change (other than any change by way of imposition or increase of reserve requirements already referred to in the definition of LIBOR Rate above in the interpretation or application by any authority charged with the interpretation or application thereof of any law or regulation, or (ii) the compliance with any guideline or request from any governmental central bank or other governmental authority (whether or not having the force of law), there shall be an increase in the cost to Lender of agreeing to make or making, funding or maintaining LIBOR Rate Loans, including without limitation changes which affect or would affect the amount of capital or reserves required or expected to be maintained by Lender, with respect to all or any portion of the Loan, or any corporation controlling Lender, on account thereof, then the Lender shall notify the Borrower thereof within a reasonable time after the occurrence thereof and Borrower from time to time shall, upon written demand by Lender, pay Lender additional amounts sufficient to indemnify Lender against the increased cost. A certificate as to the amount of the increased cost and the reason therefor submitted to Borrower by Lender, in the absence of manifest error, shall be conclusive and binding for all purposes.

6.2 Illegality. Notwithstanding any other provision of this Note, if the introduction of or change in or in the interpretation of any law, treaty, statute, regulation or interpretation thereof shall make it unlawful, or any central bank or government authority shall assert by directive, guideline or otherwise, that it is unlawful, for Lender to make or maintain LIBOR Rate Loans or to continue to fund or maintain LIBOR Rate Loans then, on written notice thereof and demand by Lender to Borrower, (a) the obligation of Lender to make LIBOR Rate Loans and to convert or continue any Loan Advances as LIBOR Rate Loans shall terminate and (b) Borrower shall convert all principal outstanding under this Note into Prime Rate Loans.

6.3 Additional LIBOR Conditions. The selection by Borrower of a LIBOR Based Rate and the maintenance of Loan Advances at such rate shall be subject to the following additional terms and conditions:

(i) Availability. If, before or after Borrower has selected to take or maintain a LIBOR Rate Loan Lender notifies Borrower that

(a) dollar deposits in the amount and for the maturity requested are not available to Lender in the London interbank market at the rate specified in the definition of LIBOR Rate set forth above, or

(b) reasonable means do not exist for Lender to determine the LIBOR Rate for the amounts and maturity requested, then the principal which would have been a LIBOR Rate Loan shall be a Prime Rate Loan.

(ii) Payments Net of Taxes. All payments and prepayments of principal and interest under this Note shall be made net of any taxes and costs resulting from having principal outstanding at or computed with reference to a LIBOR Based Rate. Without limiting the generality of the preceding obligation, illustrations of such taxes and costs are taxes, or the withholding of amounts for taxes, of any nature whatsoever including income, excise, interest equalization taxes (other than United States or state income taxes) as well as all levies, imposts, duties or fees whether now in existence or as the result of a change in or promulgation of any treaty, statute, regulation, or interpretation thereof or any directive guideline or otherwise by a central bank or fiscal authority (whether or not having the force of law) or a change in the basis of, or the time of payment of, such taxes and other amounts resulting therefrom.

6.4. Prime Rate Loans. Each Prime Rate Loan shall continue as a Prime Rate Loan until Maturity of the Loan, unless sooner converted, in whole or in part, to a LIBOR Rate Loan, subject to the limitations and conditions set forth in this Note.

6.5. Conversion of Other Advances. At the end of each applicable Interest Period, the applicable LIBOR Rate Loan shall be converted to a Prime Rate Loan unless Borrower selects another option in accordance with the provisions of this Note.

7. Acceleration, Event of Default.

Upon the occurrence and during the continuance of any one or more of the Events of Default, any and all liabilities of the Borrower to the Lender shall become immediately due and payable, at the option of the Lender and without notice or demand. The occurrence of any Event of Default shall also constitute, without notice or demand, a default under all other agreements between the Lender, and the Borrower and instruments and papers given the Lender by the Borrower, whether such agreements, instruments, or papers now exist or hereafter arise.

8. Certain Waivers, Consents and Agreements.

Each and every party liable hereon or for the indebtedness evidenced hereby whether as maker, endorser, guarantor, surety or otherwise hereby (a) waives presentment, demand, protest, suretyship defenses and defenses in the nature thereof, (b) waives any defenses based upon and specifically assents to any and all extensions and postponements of the time for payment, changes in terms and conditions and all other indulgences and forbearances which may be granted by the holder to any party now or hereafter liable hereunder or for the indebtedness evidenced hereby, (c) agrees to any substitution, exchange, release, surrender or other delivery of any security or collateral now or hereafter held hereunder or any of the other Loan Documents, and to the addition or release of any other party or person primarily or secondarily liable, (d) agrees that if any security or collateral given to secure this Note or the indebtedness evidenced hereby or to secure any of the obligations set forth or referred to in any of the Loan Documents, shall be found to be unenforceable in full or to any extent, or if Lender or any other party shall fail to duly perfect or protect such collateral, the same shall not relieve or release any party liable hereon or thereon nor vitiate any other security or collateral given for any obligations evidenced hereby or thereby, (e) agrees to pay all costs and expenses reasonably incurred by Lender or any

other holder of this Note in connection with the indebtedness evidenced hereby, including, without limitation, all attorneys' fees and costs, for the implementation of the Loan, the collection of the indebtedness evidenced hereby and the enforcement of rights and remedies hereunder or under the other Loan Documents, whether or not suit is instituted, and (f) consents to all of the terms and conditions contained in this Note, and all other instruments now or hereafter executed evidencing or governing all or any portion of the security or collateral for this Note or any one or more of the Loan Documents.

9. Delay Not A Bar.

No delay or omission on the part of the holder in exercising any right hereunder or any right under any instrument or agreement now or hereafter executed in connection herewith, or any agreement or instrument which is given or may be given to secure the indebtedness evidenced hereby or any other agreement now or hereafter executed in connection herewith or therewith shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed to be a bar to or waiver of the same or of any other right on any future occasion.

10. Partial Invalidity.

The invalidity or unenforceability of any provision hereof, of the Loan Documents, or of any other instrument, agreement or document now or hereafter executed in connection with the Loan made pursuant hereto and thereto shall not impair or vitiate any other provision of any of such instruments, agreements and documents, all of which provisions shall be enforceable to the fullest extent now or hereafter permitted by law.

11. Compliance With Usury Laws.

All agreements between Borrower, each Guarantor and Lender are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to Lender for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof, provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of Borrower and Lender in the execution, delivery and acceptance of this Note to contract in strict compliance with the laws of the Commonwealth of Massachusetts from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Loan Documents at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limit of such validity, and if under or from any circumstances whatsoever Lender should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between Borrower, the Guarantor and Lender.

12. Security.

This Note is secured as provided in the Loan Agreement.

13. Notices.

Any notices given with respect to this Note shall be given in the manner provided for in the Loan Agreement.

14. Governing Law and Consent to Jurisdiction.

14.1 Substantial Relationship. It is understood and agreed that all of the Loan Documents were negotiated, executed and delivered in the Commonwealth of Massachusetts, which Commonwealth the parties agree has a substantial relationship to the parties and to the underlying transactions embodied by the Loan Documents.

14.2 Place of Delivery. Borrower agrees to furnish to Lender at Lender's office in Boston, Massachusetts all further instruments, certifications and documents to be furnished hereunder.

14.3 Governing Law. This Note and each of the other Loan Documents shall in all respects be governed, construed, applied and enforced in accordance with the internal laws of the Commonwealth of Massachusetts without regard to principles of conflicts of law.

14.4 Consent to Jurisdiction. Borrower hereby consents to personal jurisdiction in any state or Federal court located within the Commonwealth of Massachusetts. BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON BORROWER BY MAIL AT THE ADDRESS SET FORTH IN THE LOAN AGREEMENT. BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT FORUM.

15. Waiver of Jury Trial.

BORROWER AND LENDER (BY ACCEPTANCE OF THIS NOTE) MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF LENDER RELATING TO THE ADMINISTRATION OF THE LOAN OR ENFORCEMENT OF THE LOAN DOCUMENTS, AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED EXCEPT AS

PROHIBITED BY LAW, BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDER TO ACCEPT THIS NOTE AND MAKE THE LOAN.

16. No Oral Change.

This Note and the other Loan Documents may only be amended, terminated, extended or otherwise modified by a writing signed by the party against which enforcement is sought. In no event shall any oral agreements, promises, actions, inactions, knowledge, course of conduct, course of dealing, or the like be effective to amend, terminate, extend or otherwise modify this Note or any of the other Loan Documents.

17. Rights of the Holder.

This Note and the rights and remedies provided for herein may be enforced by Lender or any subsequent holder hereof. Wherever the context permits each reference to the term "holder" herein shall mean and refer to Lender or the then subsequent holder of this Note.

18. Right to Pledge to Federal Reserve. Lender may at any time pledge or assign all or any portion of its rights under the Loan Documents including any portion of this Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C Section 341. No such pledge or assignment or enforcement thereof shall release Lender from its obligations under any of the Loan Documents.

19. General Rights of Assignment and Participation. Lender shall have the unrestricted right at any time or from time to time, and without Borrower's or any Guarantor's consent, to assign all or any portion of its rights and obligations hereunder to one or more banks or other financial institutions (each, as "Assignee"), and Borrower and each Guarantor agrees that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Agreement and to any other documents, instruments and agreements executed in connection herewith as Lender shall deem necessary to effect the foregoing. In addition, at the request of Lender and any such Assignee, Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if Lender has retained any of its rights and obligations hereunder following such assignment, to Lender, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the promissory note held by Lender prior to such assignment and shall reflect the amount of the respective commitments and loans held by such Assignee and Lender after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation, amendments and any other documentation required by Lender in connection with such assignment and the payment by Assignee of the purchase price agreed to by Lender, and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of Lender hereunder (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by Lender pursuant to the assignment documentation between Lender and such Assignee, and Lender shall

be released from its obligations hereunder and thereunder to a corresponding extent. Lender may furnish any information concerning Borrower, Guarantor or the collateral in its possession from time to time to prospective Assignees, provided that Lender require any such prospective Assignees to agree in writing to maintain the confidentiality of such information.

Lender shall have the unrestricted right at any time and from time to time, and without the consent of or notice to Borrower or any Guarantor, to grant to one or more banks or other financial institutions (each, a "Participant") participating interests in Lender's obligation to lend hereunder and/or any or all of the loans held by Lender hereunder. In the event of any such grant by Lender of a participating interest to a Participant, whether or not upon notice to Borrower, Lender shall remain responsible for the performance of its obligations hereunder and Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations hereunder. Lender may furnish any information concerning Borrower in its possession from time to time to prospective Participants, provided that Lender shall require any such prospective Participant to agree in writing to maintain the confidentiality of such information.

20. Replacement Note. Upon receipt of an affidavit and indemnity of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such Note or other security document, Borrower will issue, in lieu thereof, a replacement note or other security document in the same principal amount thereof and otherwise of like tenor.

21. Integration. This Note is intended by the parties as the final, complete and exclusive statement of the transactions evidenced by this Note. All prior or contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Note and no party is relaying on any promise, agreement or understanding not set forth in this Note. This Note may not be amended or modified except by a written instrument describing such amendment or modification executed by Borrower and Lender.

22. Use of Proceeds. No portion of the proceeds of the Loan shall be used, in whole or in part, for the purpose of purchasing or carrying any "margin stock" as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

23. Setoff. Borrower hereby grants to Lender, a continuing lien, security interest and right of setoff as security for all liabilities and obligations to Lender, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Lender or any entity under the control of Bank of America Corporation and its successors and assigns, or in transit to any of them. At any time during an Event of Default without demand or notice (any such requirement for notice being knowingly voluntarily and irrevocably waived by Borrower), Lender may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Loan. ANY AND ALL RIGHTS TO REQUIRE LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOAN, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed as of the date set forth above as a sealed instrument at Boston, Massachusetts.

Witness

BORROWER
iROBOT CORPORATION

By _____
Name _____
Title _____

EXHIBIT 3

Equipment Loan Certificate

EQUIPMENT LOAN CERTIFICATE

Date_____

Fleet National Bank, a Bank of America company
100 Federal Street
Boston, Massachusetts 02110

Re: Equipment Loan Borrowing

Pursuant to Section 6(b) of the Loan and Security Agreement (the "Loan Agreement") dated May 26, 2005, as amended by and between iRobot Corporation (the "Borrower") and Fleet National Bank, a Bank of America company, (the "Bank") the undersigned Borrower hereby certifies as follows:

1. The Borrower hereby requests a loan in the amount of \$_____.
2. The Borrower hereby requests the loan to be made on_____which is a Business Day.
3. The Borrower shall be using the proceeds of the aforesaid loan for the following purposes.
4. The Borrower hereby attaches all appropriate invoices and other documentation relative the requested advance.
5. No Event of Default has occurred and is continuing.

All capitalized terms not otherwise defined herein shall have the meaning as assigned to such terms in the Loan Agreement.

The undersigned Borrower certifies that the information provided herein is true and accurate.

iRobot Corporation

By _____

Name _____

Title _____

Exhibit 4

NOTICE OF BORROWING

Date _____, 200_

To Fleet National Bank, a Bank of America company
100 Federal Street
Boston, Massachusetts 02110

Re Loan and Security Agreement dated May 26, 2005 (the "Loan Agreement")
between Fleet National Bank, a Bank of America Company (the "Bank") and
iRobot Corporation (the "Borrower").

This Notice of Borrowing confirms the following request for a LIBOR Rate Loan
- conversion of a Prime Rate Loan (check applicable box) under the Loan
Agreement.

Date of Request

Date of LIBOR Rate Loan

Amount of LIBOR Rate Loan at LIBOR Rate *

Interest Period

1, 2, 3 or 6 months

This is a request for a continuation/conversion of a LIBOR loan
described as follows:

Date of Original Loan

Amount of Original Loan

Maturity Date

Interest Period

Amount of Loan to be Continued or Converted

The Borrower hereby certifies that all representations and warranties
contained in the Loan Agreement are true and accurate in all material respects
on the date of this Notice of Borrowing as though such representations and
warranties had been made on this date (except to the extent that such
representation or warranty expressly relates to an earlier date).

Terms used herein which are defined in the Loan Agreement are used as so
defined

iROBOT CORPORATION

By _____

* Minimum of \$250,000.00 with increments of \$100,000.00_____

Exhibit 5

COMPLIANCE CERTIFICATE

iRobot Corporation ("Borrower") hereby certifies to Fleet National Bank, a Bank of America company ("Bank"), pursuant to the Loan and Security Agreement between Borrower and Bank dated May 26, 2005 as may be amended from time to time ("Loan Agreement"), that:

A. General.

1. Capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement.

2. The Borrower has complied with all the terms, covenants and conditions to be performed or observed by the Borrower contained in the Loan Agreement and other documents required to be executed by the Borrower in connection with the Loan Agreement.

3. Neither on the date hereof nor, if applicable, after giving effect to the loan made on the date hereof, does there exist an Event of Default or an event which would with notice or the lapse of time, or both, constitute an Event of Default.

4. The representations and warranties contained in the Loan Agreement and in any certificate, document or financial or other statement furnished at any time thereunder are true, correct and complete in all material respects with the same effect as though such representations and warranties had been made on the date hereof, except to the extent that any such representation and warranty relates solely to an earlier date (in which case such representation and warranty shall be true, correct and complete on and as of such earlier date).

B. Financial Covenants.

As of the date hereof or, for such period as may be designated below, the computations, ratios and calculations as set forth below in accordance with Section 17 of the Loan Agreement are true and correct.

1. TANGIBLE CAPITAL BASE - SECTION 17(a)

The tangible capital base of the Borrower as of _____, 200____, was \$_____ and was computed as follows:

A. Tangible Net Worth

- i. Stockholders' equity \$_____
- ii. Intangible assets \$_____
- iii. Accounts due from affiliates \$_____
- iv. Tangible net worth (i - ii - iii) = \$_____

B. Subordinated indebtedness \$_____

C. Tangible capital base (A + B) = \$_____

Required At least \$_____

IN WITNESS WHEREOF, the undersigned, a duly authorized officer of Borrower, has executed and delivered this Certificate in the name and on behalf of the Borrower on _____, 200__.

iROBOT CORPORATION

By _____

PURCHASE CONTRACT NUMBER: 4400078647

[SAIC (R) LOGO] SCIENCE APPLICATIONS
INTERNATIONAL CORPORATION
AN EMPLOYEE-OWNED COMPANY

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(APRIL 30, 2004)

Purchase/Contract Type: Cost Plus Fixed Fee (CPFF)

Security Classification: unclassified
Prime Contract Number: DAAE07-03-9-F001
Vendor Number: 607303
Account Number: N/A
DPAS Priority Rating: DO
Cost Charge No.: See Section B.2
Terms Of Payment: Net 30 Days

IROBOT CORPORATION ("IROBOT")
63 SOUTH AVENUE
BURLINGTON, MA 01803-4903

This Cost Plus Fixed Fee (CPFF) contract is hereby placed with iRobot Corporation (hereinafter referred to as "iRobot," "Seller," "Subcontractor," "Supplier," or "Teammate") by SCIENCE APPLICATIONS INTERNATIONAL CORPORATION, (herein referred to as "SAIC," "Buyer," or "LSI,") a Delaware Corporation with principle offices in San Diego, California, for the goods and services described herein, and is subject to the terms and conditions set forth hereunder.

This contract constitutes the entire understanding and agreement between the parties with respect to the subject matter hereof and supersedes all prior representations and agreements.

IN WITNESS WHEREOF, the parties hereto have executed this contract effective as of the date executed by SAIC below:

IROBOT CORPORATION

SCIENCE APPLICATIONS
INTERNATIONAL CORPORATION

By: Original Signed On file

By: Original Signed On File

Typed/Printed Name: Robert L. Moses

Typed Name: J. R, (Rick) Yoast

Title: Director, Acquisition and
Business Development

Title: Senior Subcontracts
Administrator

Date: 06 November 2003

Date: 07 November 2003

END OF COVER/SIGNATURE PAGE

[SAIC (R) LOGO] SCIENCE APPLICATIONS
INTERNATIONAL CORPORATION
An Employee-Owned Company PURCHASE CONTRACT NUMBER: 4400078647

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[SAIC (R) LOGO] SCIENCE APPLICATIONS
 INTERNATIONAL CORPORATION
 An Employee-Owned Company PURCHASE CONTRACT NUMBER: 4400078647

SECTION A - SPECIAL AGREEMENTS AND OTHER IMPORTANT PROVISIONS AND NOTIFICATIONS

A.1 DEFINITIONS

- a. The term "Lead Systems Integrator" or "LSI" refers to The Boeing Company and Science Applications International Corporation, responsible to the U.S. Government under the Boeing/Government prime Agreement for the Systems Development and Demonstration (SDD) phase of the Future Combat System (FCS) Program.
- b. Unless otherwise specified, the terms "contract," "subcontract," "purchase order," or "purchase contract" are synonymous.
- c. An "administrative change" means a unilateral contract change, in writing by the SAIC Procurement Agent, that does not affect the substantive rights of the contracting parties.
- d. The terms "Buyer's authorized Procurement Representative" and "Buyer's authorized Procurement Agent" are synonymous.
- e. Unless otherwise specified, "prime agreement," "Agreement," "Other Transaction Agreement," or "OTA" mean the Future Combat Systems (FCS) System Development and Demonstration (SDD) Phase agreement between the Government and The Boeing Company.
- f. A "unilateral change" is a contract change that is signed only by Buyer's authorized Procurement Agent. Unilateral changes are used, for example, to make: (1) administrative changes; (2) Issue change orders or change notices authorized by the Changes clause; (3) Make changes authorized by clauses other than a changes clause (e.g., Property clause, Options clause, Limitation of Funds clause, or Suspension of Work clause); and (4) Issue termination notices.
- g. A "bilateral change" is a contract change that is signed by Seller and Buyer's authorized Procurement Agent. Bilateral changes are used to: (1) Make negotiated equitable adjustments resulting from the issuance of a change order or Change Notice; (2) Definitize letter contracts; and (3) Reflect other agreements of the parties modifying the terms of contracts. A Supplemental Agreement is a bilateral contract change.
- h. All reference within this subcontract to GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)" shall be considered as SAIC General Provisions for the purpose of this subcontract only and in no way sets a precedence for any other subcontracts Seller may currently have or enter into in the future with The Boeing Company or SAIC.

A.2 ORDER OF PRECEDENCE

Any inconsistency in this contract shall be resolved by giving precedence in the following order:

1. Clause 5068 (Government Contract Requirements) set forth in Section I and Section H clauses with "(PRIME FLOWDOWN)" in clause title
2. Sections A through G (excluding Section C - Statement of Work/Specifications)
3. Section H (Special Provisions)
4. Section I (General Provisions)
5. Section C (Statement of Work/Specifications)
6. All other documents, exhibits and attachments set forth in Section J

[SAIC (R) LOGO] SCIENCE APPLICATIONS
INTERNATIONAL CORPORATION
An Employee-Owned Company

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(APRIL 22, 2005)

A.3 CONTRACT CHANGES AND CONFORMING CONTRACT

a. Buyer's authorized Procurement Agent is the only person empowered to execute contract changes on behalf of Buyer. Buyer-issued contract changes --

- (1) will be sequentially numbered, e.g., contract change no. 001, 002, 003, etc.;
- (2) will define the type of contract change, e.g., Unilateral/Undefinitive Change Notice, Unilateral Funding Order, Supplemental Agreement ;
- (3) will provide new/revised contract attachments/exhibits, as applicable; and
- (4) will include a replacement or new contract page when there is a change in the contract text or terms except for undefinitive contract changes.

Undefinitive contract changes such as a Change Notice issued under the Changes clause will not be reflected in the text of a replacement contract page until definitized by Supplemental Agreement.

b. Replacement contract pages will identify the specific text change(s) by revision bar (vertical line) placed in the margin of the replacement page. AT BUYER'S OPTION, further DELINEATION OF CHANGE(S) CAN BE MADE BY SHOWING strikethroughs (for deleted text) and italics or BOLDED PRINT (FOR ADDED TEXT). Each replacement page will identify at the top of the page (or header) the Contract Change Number and date. By issuing the replacement contract page, Seller will possess a complete conforming text of the contract.

c. When the contract change adds new text requiring additional contract pages, Buyer will retain the original contract page number with added pages designated by letter, e.g., page 5 adds pages 5a, 5b, 5c, etc. A new contract page will be identified in the same manner as the replacement contract page described above, i.e., Contract Change Number and date.

A.4 CONTRACT CHANGE SUMMARY LIST

The table below provides a descriptive list of the Contract Changes issued under the contract. Buyer will issue an updated summary table from time-to-time by way of an administrative contract change as the number of contract change documents accumulate.

NOTE: THE BELOW TABLE IS INITIALLY BLANK, RESERVING SPACE AND FORMAT FOR RECORDING FUTURE CHANGE ENTRIES.

CONTRACT CHANGE NUMBER	DATE OF DOCUMENT	EFFECTIVE DATE OF CHANGE	TYPE/DESCRIPTION OF CHANGE(S)
001	02/06/04	02/09/04	Supplemental Agreement 001. Revise Attachment J-13 to add Task Order 001.
002	04/30/04	04/30/04	Supplemental Agreement 002. Incorporate revised SOW,SDRL and PCD (CP1) and Incorporate CR008.
003	06/01/04	06/01/04	Supplemental Agreement 003. Incorporate Dollars into Special Termination Liability Clause H.23 Paragraph c.
004	09/02/04	09/02/04	Supplemental Agreement 004. Incorporate the GFX revised wording for Section H.3 and Replaced Clause 3012 with Clause 3068, Added J-19 ADR
005	09/07/04	09/07/04	Supplemental Agreement 005. Incorporates CP-002/CR33 for additional integration support to the C4ISR System Integration Laboratories beginning with the initial delivery of platform simulators (UGV) simulation for IPS1.
006	03/31/05	02/22/05 (Based on ATP Issued)	Supplemental Agreement 006 Authorize directed changes in accordance with the FCS Program Transition Change Proposal, CP003; extending SDD to March 2013 and spiraling and stretching some existing deliveries.
007	04/01/05	04/01/05	Supplemental Agreement 007 Directs iRobot Corporation - Burlington, MA. to accomplish Task Orders

as described in the attached Task Order 099A1 (SSEI-MV04) and Task Order 099A2 (SSEI-MV05) in support of SSEI-IPT and creation of CLIN 0099A.

008

04/22/05

04/22/05

SUPPLEMENTAL AGREEMENT 008

RESTORES THE CONTRACT VALUE OF CLIN 0001 BACK TO THE LEVEL ESTABLISHED AT SA-006 CP003 TRANSITION. THIS INCREASES THE VALUE OF CONTRACT BY SSEI-T.O. AMOUNT. AMENDS SECTION F.2 DELIVERY ADDRESS INFORMATION.

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 INTERNATIONAL CORPORATION
 An Employee-Owned Company PURCHASE CONTRACT NUMBER: 4400078647

A.5 EXPORT LAWS AND REGULATIONS

Seller agrees to comply fully with all applicable U.S. laws and regulations as they may apply to the export of any hardware, software, defense service or technical data (collectively "Data") provided by, through or with the cooperation of Seller in the performance of this subcontract in the U.S. or abroad or under any export license or exemption issued to Buyer. Seller agrees that it will not permit the re-export of Data, including to foreign nationals, employed by or associated with, or under contract to Seller or Seller's lower-tier suppliers, without the prior written consent of Buyer and under authority of an export license or applicable license exemption.

A.6 WARNING - U.S. EXPORT CONTROLS LAWS

Information furnished to Seller under this purchase contract may contain data subject to U.S. Export Laws and Regulations. Seller is advised that such data may not be exported or re-exported to foreign persons, employed by or associated with, or under contract to Seller or Seller's lower-tier suppliers, without the prior written consent of Buyer and under authority of an export license or applicable license exemption. If such data is marked as Export Controlled, Seller shall indemnify and hold Buyer harmless from and against any and all claims, liabilities and expenses resulting from Seller's failure to comply with the export laws and regulations of the United States.

A.7 SELLER PERFORMING WORK AT LSI, GOVERNMENT, OR OTHER FCS CONTRACTOR'S FACILITY

By law, Buyer must control access to export controlled technical data within its facilities. Therefore, Seller shall only assign personnel to perform work in LSI's facilities who are either U.S. citizens or who have been granted Permanent Resident Alien status in the U.S. Seller's personnel will be required to furnish documentary evidence of citizenship or immigration status to LSI's Security Badge and ID personnel at the time of badge pick-up. Acceptable documentary evidence of citizenship or immigration status includes U.S. Passport, Certificate of U.S. Citizenship, Certificate of Naturalization, certified copy of U.S. Birth Certificate, U.S. Alien Registration Receipt Card with Photo, un-expired foreign passport with INS-551 stamp of Certificate of Birth Abroad issued by the U.S. Department of State.

A.8 NON-FOREIGN CERTIFICATION AND REPRESENTATION

Seller's acceptance of this contract, confirms that:

- (1) it is not a foreign corporation, and
- (2) it is not a Representative of a Foreign Interest (RFI), and
- (3) Seller agrees to notify Buyer of any change in status set forth above.

A.9 PRE-CONTRACT COSTS

In accordance with FAR 31.205-32, Pre-Contract Costs, which is incorporated herein by this reference, Subcontractor shall be entitled to reimbursement for costs plus applicable fees not-to-exceed \$50,000 incurred on or after 12 SEPT 2003 which, if incurred after this contract had been entered into, would have been reimbursable under the provisions of this CPFF Subcontract. The subject Pre-contract Cost Letter No. JS-FCS-SUGV-169, dated 08 SEPTEMBER 2003 is hereby incorporated by reference into this paragraph.

END OF SECTION A

SECTION B - GOODS/SERVICES AND PRICES/COSTS

B.1 CONTRACT TYPE

- a. This contract is a cost-plus-fixed-fee (CPFF). A CPFF contract is a cost-reimbursement contract that provides for payment to the Seller of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with actual cost, but may be adjusted as a result of changes in the work to be performed under the contract. The CPFF contract may take one of two basic forms -- completion or term. This contract may use both forms. The CPFF contract type only applies to the task order CLIN specified below.
- b. Applicable to the Contract Line Item Numbers (CLINs) specified below are cost underrun fee provisions. Similar to cost-plus-incentive-fee (CPIF) contracting, but only applicable to cost underruns, these cost underrun incentive fee provisions reward the Seller with additional fee when performing a cost underrun, and satisfying the requirements of the SOW pursuant to the inspection and acceptance terms or Section E. The incentive fee provisions are defined by the Fee Plan set forth in Section J.

B.2 STATEMENT OF REQUIREMENTS AND TOTAL CONTRACT VALUE

- a. Seller shall, in accordance with the terms and conditions set forth herein, furnish necessary, qualified personnel, services, travel, facilities, and materials (except those specifically designated to be furnished by Buyer or Government), and do all things necessary and incidental to complete the contractual effort in accordance with the Statement of Work/Specification set forth in Section C and the Schedule set forth in Section F.
- b. Total contract value broken-out by CLIN descriptions, CLIN contract types and other summary information:

CLIN	Internal Item/CCN	Description	Total Value
0001	01-0056-38-4133-008	Design and Development of Small Unmanned Ground Vehicle (SUGV) in accordance with Statement of Work	\$ 39,514,989(CPFF-COMPLETION)
0002	"	SUGV Simulations	\$ 5,928,142(CPFF-COMPLETION)
0003	"	SUGV Emulators	\$ 0(CPFF-COMPLETION)
0004	"	SUGV Prototypes	\$ 736,439(CPFF-COMPLETION)
0005	01-0056-38-4134-001	Training Systems	\$ 1,830,948(CPFF-COMPLETION)
0005A	"	Training Systems and Management	\$ 0(CPFF-COMPLETION)
0005B	"	Design, Development and Verification of Training Support Packages (TSP) in accordance With Specification 786-30126, Training Support Packages	\$ 0(CPFF-COMPLETION)
0005C	"	Design, Development and Verification of Embedded Training (ET) in accordance with Specification 786-30126 The supplier shall deliver a real time digital representation of the Embedded Training to be tested in the Training SIL.	\$ 0(CPFF-COMPLETION)

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An Employee-Owned Company

CLIN -----	Item/CCN -----	Description -----	Total Value -----
0006	01-0056-38-5962-001	Task Orders - Engineering Services	(NTE)\$ 0 (CPFF-COMPLETION and/or LOE (TBD))
0006A	"	Engineering Services in accordance with SOW D786-10108-1 para 3.2.1.1 "Land Warrior Support"	(NTE)\$ 335,055 (CPFF-COMPLETION and/or LOE (TBD))
0006B	"	Engineering Services in accordance with SOW D 786-10108-1 para 3.2.1.2 "Payload Development and Integration"	(NTE)\$ 1,340,219 (CPFF-COMPLETION and/or LOE (TBD))
0006C	"	Engineering Services in accordance with SOW D786-10108-1 para 3.2.1.3 "SUGV Demonstrations"	(NTE)\$1,675,274 (CPFF-COMPLETION and/or LOE (TBD))
0007	01-0056-38-4133-008	Spares	\$ 107,283 (CPFF-COMPLETION)
0008	"	Data and Reports in accordance with Subcontract Data Requirements List (SDRL) D786-10108-2	Not Separately Priced
* 0099	TBD	Non-UGV Task Order Support	(NTE)\$ 62,609 (CPFF-COMPLETION and/or LOE (TBD))

* Letters "A", "B", etc. will be added to end of above CLIN to represent IPT Supported. "A" = SSEI - IPT

TOTAL CPFF \$51,530,958

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c.Total contract value broken-out by CLIN cost/fee elements:

CLIN	ESTIMATED COST	FCCOM	TOTAL ESTIMATED COST	FIXED FEE (CPFF ONLY)	TOTAL VALUE
-----	-----	-----	----	-----	-----
0001	\$ 36,148,210	WAIVED	\$ 36,148,210	\$ 3,366,779	\$ 39,514,989
0002	\$ 5,418,028	waived	\$ 5,418,028	\$ 510,114	\$ 5,928,142
0003	\$ 0	waived	\$ 0	\$ 0	\$ 0
0004	\$ 669,490	waived	\$ 669,490	\$ 66,949	\$ 736,439
0005	\$ 1,670,769	waived	\$ 1,670,679	\$ 160,179	\$ 1,830,948
0006A	\$(NTE) 304,595	waived	\$(NTE) 304,595	\$(NTE) 30,460	\$(NTE) 335,055
0006B	\$(NTE)1,218,381	waived	\$(NTE)1,218,381	\$(NTE) 121,838	\$(NTE) 1,340,219
0006C	\$(NTE)1,522,976	waived	\$(NTE)1,522,976	\$(NTE) 152,298	\$(NTE) 1,675,274
	SubTotal Clin 006	waived	\$(NTE)3,045,952	\$(NTE) 304,596	\$(NTE) 3,350,548
0007	\$ 97,530	waived	\$ 97,530	\$ 9,753	\$ 107,283
0008	NSP				Not separately priced
0099	\$(NTE) 56,917	waived	\$(NTE) 56,917	\$(NTE) 5,692	\$(NTE) 62,609
TOTALS:	\$ 47,106,896	WAIVED	\$ 47,106,896	\$ 4,424,062	\$ 51,530,958

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B.3 CONTRACT LINE ITEM NUMBER (CLIN) BREAKDOWN SUMMARY

CLIN	QTY/UM	DESCRIPTION	PREVIOUS UNIT VALUE	THIS CHANGE	REVISED (CURRENT) UNIT VALUE
0001	1 Lot	Design and Development of Small Unmanned Ground Vehicle (SUGV) in accordance with Statement of Work D786-10108-1	--	--	--
		Estimated Cost	\$ 36,091,293	\$ 56,917	\$ 36,148,210
		FCCOM	\$ 0	\$ 0	\$ 0
		Total Estimated Cost	\$ 36,091,293	\$ 56,917	\$ 36,148,210
		Fixed Fee	\$ 3,361,087	\$ 5,692	\$ 3,366,779
				\$	
		TOTAL CPFF	\$ 39,452,380	\$ 62,609	\$ 39,514,989

CLIN	QTY/UM	DESCRIPTION	PREVIOUS UNIT VALUE	THIS CHANGE	REVISED (CURRENT) UNIT VALUE
0002	1 Lot	SUGV Simulations- Real time digital representation of the Supplier's product(s) to be used in the SoSIL for 1 to n systems. SIMs are used to round out to full FCS UA force structure. Connected digitally to the SoSIL and other FCS field emulators or prototypes with representative tactical communications and T&E Test Framework	--	--	--
		Estimated Cost	\$ 2,035,839	\$ 3,382,189	\$ 5,418,028
		FCCOM	\$ 0	\$ 0	\$ 0
		Total Estimated Cost	\$ 2,035,839	\$ 3,382,189	\$ 5,418,028
		Fixed Fee	\$ 192,526	\$ 317,588	\$ 510,114
		TOTAL CPFF	\$ 2,228,365	\$ 3,699,777	\$ 5,928,142

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CLIN	QTY/UM	DESCRIPTION	PREVIOUS UNIT VALUE	THIS CHANGE	REVISED (CURRENT) UNIT VALUE
0003	1 Lot	SUGV Emulators- Defined as low cost equipment, in SoSIL and/or field test use, representing the functionality and Human Machine Interface (HMI) of the Supplier's product with digital models and/or functional Sw. Connected digitally with remote locations in order to be shared with FT and IMT. Connected digitally to the SoSIL and other FCS field emulators or prototypes with representative tactical communications and T&E Test Framework. Functional equivalent of prime item but not form fit.	--	--	--
		Estimated Cost	\$ 142,444	\$ (142,444)	\$ 0
		FCCOM	\$ 0	\$ 0	\$ 0
		Total Estimated Cost	\$ 142,444	\$ (142,444)	\$ 0
		Fixed Fee	\$ 14,272	\$ (14,272)	\$ 0
				\$	
		TOTAL CPFF	\$ 156,716	\$ (156,716)	\$ 0

CLIN	QTY/UM	DESCRIPTION	PREVIOUS UNIT VALUE	THIS CHANGE	REVISED (CURRENT) UNIT VALUE
0004	1 Lot	Sugv Prototypes (6 PROTO TYPES INTEGRATED AND READY TO BEGIN IQT. OF THE 6, 4 WILL BE DELIVERED TO SOS TESTING AFTER IQT.) (1 SHIP-IN-PLACE AT SUPPLIER'S FACILITY.)	--	--	--
		Estimated Cost	\$ 669,490	\$ 0	\$ 669,490
		FCCOM	\$ 0	\$ 0	\$ 0
		Total Estimated Cost	\$ 669,490	\$ 0	\$ 669,490
		Fixed Fee	\$ 66,949	\$ 0	\$ 66,949
		TOTAL CPFF	\$ 736,439	\$ 0	\$ 736,439

CLIN	QTY/UM	DESCRIPTION	PREVIOUS UNIT VALUE	THIS CHANGE	REVISED (CURRENT) UNIT VALUE
0005	1 Lot	Training Systems	--	--	--
		Estimated Cost	\$ 524,967	\$ 1,145,802	\$ 1,670,679
		FCCOM	\$ 0	\$ 0	\$ 0
		Total Estimated Cost	\$ 524,967	\$ 1,145,802	\$ 1,670,679
		Fixed Fee	\$ 52,604	\$ 107,575	\$ 160,179
		TOTAL CPFF	\$ 577,571	\$ 1,253,377	\$ 1,830,948

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Sub-CLIN Number	Task Order Description	Estimated Cost	FCCOM	Total Estimated Cost	Fixed Fee	Total CPFF
0006A	ENGINEERING SERVICES IN ACCORDANCE WITH SOW D786-10108-1 PARA 3.2.1.1, "LAND WARRIOR SUPPORT"	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0006B	PHASE 1 - ENGINEERING SERVICES IN ACCORDANCE WITH SOW D786-10108-1 PARA 3.2.1.2, "PAYLOAD DEVELOPMENT AND INTEGRATION"	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0006C	PHASE I- ENGINEERING SERVICES IN ACCORDANCE WITH SOW D786-10108-1 PARA 3.2.1.3, "SUGV DEMONSTRATIONS"	\$136,357.17	\$ 0	\$136,357.17	\$13,635.72	\$149,992.89
TOTAL CLIN 0006		\$136,357.17	\$ 0	\$136,357.17	\$13,635.72	\$149,992.89

THE TOTAL ESTIMATED COST, FCCOM AND FIXED FEE SET FORTH IN ABOVE CLIN 004 ARE THE SUM OF THE DEFINITIVE TASK ORDER VALUES LISTED BELOW. NOTE: UNDEFINITIVE TASK ORDERS ARE NOT LISTED.

The Definitive Task Orders are listed below:

Task Orders

CPFF-LOE:

Seller shall devote the specified level of effort for a stated time period set forth in the Statement of Work of each task order and amendment thereto, issued in accordance with Section H clause entitled "Authorization and Administration Of CPFF Level-Of-Effort (LOE) Task Orders."

CPFF-COMPLETION:

Seller shall complete the definite goal(s) and/or target(s) and deliver the specified end-product(s) described in the Statement of Work of each task order and amendment thereto, issued in accordance with Section H clause entitled "Authorization and Administration Of CPFF Completion Task Orders."

Task Order Number	SUB-CLIN Number	Task Order Description (Completion or LOE)	Estimated Cost	FCCOM	Fixed Fee	Total CPFF
001	0006	LOE	\$ 136,357.17	\$ 0	\$13,635.72	\$149,992.89
TOTAL			\$ 136,357.17	\$ 0	\$13,635.72	\$149,992.89

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CLIN	QTY/UM	DESCRIPTION	UNIT VALUE	EXTENDED VALUE
0007	1 Lot	Spares	--	--
		Estimated Cost	\$ 97,530	\$ 97,530
		FCCOM	\$ 0	\$ 0
		Total Estimated Cost	\$ 97,530	\$ 97,530
		Fixed Fee	\$ 9,753	\$ 9,753
		TOTAL CPFF	\$ 107,283	\$ 107,283

SUB-CLIN NUMBER	TASK ORDER DESCRIPTION	ESTIMATED COST	FCCOM	TORTAL ESTIMATED COST	FIXED FEE	TOTAL CPFF
0099A	NON-UGV TASK ORDER SUPPORT OF SSEI-IPT	\$ 56,917	\$ 0	\$ 56,917	\$ 5,692	\$ 62,609
TOTAL CLIN 0099		\$ 56,917	\$ 0	\$ 56,917	\$ 5,692	\$ 62,609

THE TOTAL ESTIMATED COST, FCCOM AND FIXED FEE SET FORTH IN ABOVE CLIN 0099 ARE THE SUM OF THE DEFINITIVE TASK ORDER VALUES LISTED BELOW. NOTE: UNDEFINITIVE TASK ORDERS ARE NOT LISTED. EACH NON- UGV IPT SUPPORTED WILL BE SIGNIFIED BY A LETTER AFTER THE SUB-CLIN' IE. "A" = SSEI-IPT.

THE DEFINITIVE TASK ORDERS ARE LISTED BELOW:

TASK ORDERS

CPFF-LOE:

SELLER SHALL DEVOTE THE SPECIFIED LEVEL OF EFFORT FOR A STATED TIME PERIOD SET FORTH IN THE STATEMENT OF WORK OF EACH TASK ORDER AND AMENDMENT THERETO, ISSUED IN ACCORDANCE WITH SECTION H CLAUSE ENTITLED "AUTHORIZATION AND ADMINISTRATION OF CPFF LEVEL-OF-EFFORT (LOE) TASK ORDERS."

CPFF-COMPLETION:

SELLER SHALL COMPLETE THE DEFINITE GOAL(S) AND/OR TARGET(S) AND DELIVER THE SPECIFIED END-PRODUCT(S) DESCRIBED IN THE STATEMENT OF WORK OF EACH TASK ORDER AND AMENDMENT THERETO, ISSUED IN ACCORDANCE WITH SECTION H CLAUSE ENTITLED "AUTHORIZATION AND ADMINISTRATION OF CPFF COMPLETION TASK ORDERS."

TASK ORDER NUMBER	SUB-CLIN NUMBER	TASK ORDER DESCRIPTION (COMPLETION OR LOE)	ESTIMATED COST	FCCOM	FIXED FEE	TOTAL CPFF
099A1 (MV-04)	0099A	LOE	\$ 18,972	\$ 0	\$1,897	\$20,869
099A2 (MV-05)	0099A	LOE	\$ 37,945		\$3,795	\$41,740
TOTAL			\$ 56,917	\$ 0	\$5,692	\$62,609

B.4 RESERVED

B.5 COST UNDERRUN INCENTIVE FEE TABLE

The following table specifies the Cost Underrun Incentive Fee earned by the Seller:

TBD
END OF SECTION B

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SECTION C - STATEMENT OF WORK/SPECIFICATIONS

C.1 STATEMENT OF WORK (SOW)

Seller shall deliver goods and perform services specified in this contract in accordance with Buyer's Statement of Work document(s) and other specification documents set forth in Section J.

C.2 SUBCONTRACT DATA REQUIREMENTS LIST (SDRL)

Seller shall deliver the data items listed on Buyer's Subcontract Data Requirements List (SDRL) set forth in Section J, and any other data/reports required by the provisions of this contract.

C.3 CONTRACT SECURITY CLASSIFICATION SPECIFICATION

- a. Seller shall comply with the security requirements of the Contract Security Classification Specification, DD Form 254, as applicable, set forth in Section J.
- b. Seller shall comply with Security Classification Guide, as applicable, set forth in Section J.

C.4 OVERRIDING PRINCIPLES, CHANGES AND CLARIFICATIONS TO WORK SCOPE

The following constitute overriding principles, changes and clarifications to the contract Statement of Work set forth in Section J:

- a. The following documents are reference documents and are provided for information purposes only:
 - (1) Operational Requirements Document (ORD) for the Future Combat Systems
 - (2) The United States Army Objective Force Operational and Organizational (O&O) Plan Unit of Action

C.5 TASK ORDERS - (LOE)

In accordance with the Section H clause entitled "Authorization and Administration Of CPFF Level-Of-Effort (LOE) Task Orders," Seller shall prepare and submit task order proposals when requested by Buyer, and when authorized, perform agreed-to task orders. The statement of work specified in each authorized task order issued by Buyer shall be within the general scope of this contract.

C.6 TASK ORDERS - (COMPLETION)

In accordance with the Section H clause entitled "Authorization and Administration Of CPFF Completion Task Orders," Seller shall prepare and submit task order proposals when requested by Buyer, and when authorized, perform agreed-to task orders. The statement of work specified in each authorized task order issued by Buyer shall be within the general scope of this contract.

END OF SECTION C

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SECTION D - PACKAGING AND MARKING

D.1 GENERAL PACKAGING AND MARKING REQUIREMENTS

Seller shall package, pack, preserve and mark contract deliverables (goods and data) in accordance with:

- a. Best commercial practices;
- b. Article 3 of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract);"
- c. The Statement of Work, as applicable;
- d. DD-254, Contract Security Classification Specification, as applicable; and
- e. Clause 5068

See the General Provisions set forth in Section I for additional marking/packageing requirements.

D.2 COMMERCIAL PRACTICES

Unless otherwise specified in this contract, goods and data shall be preserved, packaged, packed and marked in accordance with best standard commercial practices which are adequate to ensure against damage/deterioration during transit and storage pending usage. All shipments and mailings shall meet the requirements of the carrier for safe delivery at destination.

D.3 DATA, REPORTS AND CERTIFICATIONS

All data, reports and certifications required under this contract shall be --

- a. marked with the contract number;
- b. directed to the attention of Buyer's authorized Procurement Agent unless the SOW or SDRL directs otherwise; and
- c. submitted via the Advanced Collaborative Environment (ACE) unless otherwise specified.

In the event the applicable SOW includes a Subcontractor Data Requirements List (SDRL) or other similar list of required data, Seller's transmittal letter for the transmitted data shall reference the data item number, title, and data item description.

END OF SECTION D

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SECTION E - INSPECTION AND ACCEPTANCE

E.1 INSPECTION OF RESEARCH AND DEVELOPMENT

Buyer has the right to inspect and evaluate the work performed or being performed under the contract, and the premises where the work is being performed, at all reasonable times and in a manner that will not unduly delay the work. If Buyer performs inspection or evaluation on the premises of Seller or its subcontractor(s), Seller shall furnish and require its subcontractor(s) to furnish, without additional charge, all reasonable facilities and assistance for the safe and convenient performance of these duties.

E.2 INSPECTION OF SUPPLIES

Federal Acquisition Regulation (FAR) clause 52.246-3 applies, as modified by article 7 of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)."

E.3 INSPECTION OF SERVICES

Federal Acquisition Regulation (FAR) clause 52.246-5 applies, as modified by article 8 of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime)."

E.4 INSPECTION AND ACCEPTANCE AT DESTINATION

(Unless otherwise specified, this clause applies to all work item(s).)

Final inspection and acceptance of work accomplished, services provided and/or items produced or deliverable under this contract, shall be performed at destination by cognizant Buyer personnel.

E.5 INSPECTION AND ACCEPTANCE AT SOURCE

(This clause applies only if the contract expressly states that an item of work is to be inspected and accepted at Seller's facilities or Seller's subcontractor's facilities.)

- a. Final inspection and acceptance of work accomplished, services provided and/or items produced or deliverable under this contract shall be performed at Seller's facilities and/or facilities of its subcontractor(s), as may be approved by Buyer.
- b. In order to accommodate Buyer's participation, Seller shall provide Buyer's contract technical representative and Buyer's authorized Procurement Agent with a minimum of at least five (5) workdays of advance notification, in writing, as to when and/or where the inspections or tests are to be performed. Although it is preferable that advance notification be provided in writing to Buyer's authorized Procurement Agent, such notification may be provided in any form or manner agreeable to the contracting parties.

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E.6 MATERIAL INSPECTION AND RECEIVING REPORT

DFARS 252.246-7000 (MAR 1996) "Material Inspection And Receiving Report," is incorporated by reference. "Contractor" means Seller and "Government" means Buyer. If the contract requires Seller to ship supplies to the Government or perform services for the Government, Seller shall prepare and furnish a DD Form 250 to the Government with a copy provided to Buyer. If Seller is shipping/performing supplies/services to Buyer, Seller shall replace the DD Form 250 with a commercial packing slip and, as applicable, a Certificate of Conformance, test reports and other documentation evidencing completion. If Seller is shipping to Buyer by way of drop shipment to another Boeing or SAIC subcontractor, Seller shall prepare and furnish with each shipment, a commercial packing slip with copy to Buyer and, as applicable, a Certificate of Conformance, test reports and other documentation evidencing completion.

E.7 CERTIFICATE OF CONFORMANCE

FAR 52.246-15 (APR 1984), "Certificate of Conformance," is incorporated by reference. "Contractor" means Seller and "Government" means Buyer. Seller shall not use the DD Form 250 (see paragraph (b) of the referenced clause) unless Seller is shipping directly to the Government. In shipments to Buyer, Seller shall use commercial shipping/packing lists. Seller is not required to provide a Certificate of Conformance for a contract deliverable that has been inspected and accepted at Seller's facility by Government or Buyer, unless otherwise specified as a requirement by the contract Statement of Work or Subcontract Data Requirements List. Seller is not required to submit a Certificate of Conformance under this clause for deliverable data items. "Inspected at Seller's facility" as used in this modified clause means final inspection and acceptance by Government or Buyer at Seller's facility.

END OF SECTION E

SECTION F - DELIVERIES OR PERFORMANCE

F.1 GENERAL SHIPPING/DELIVERY REQUIREMENTS

- a. Seller shall comply with the shipping requirements in article 3 of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)."
- a. FAR 52.247-34, "F.o.b. - Destination," is incorporated by reference. "Contractor" means Seller and "Government" means Buyer.
- b. In the event a required item under this contract is delivered directly to Buyer's technical representative, Seller shall obtain a signed receipt from Buyer's technical representative evidencing such delivery. Further, Seller shall provide a copy of such signed receipt to Buyer's authorized Procurement Agent.
- c. See the General Provisions set forth in Section I for additional shipping/delivery requirements.

F.2 DELIVERY DESTINATIONS

Absent any specific delivery destination(s) set forth in the contract Statement of Work, Seller shall deliver all supplies deliverables, with the exception of data and correspondence to the APPLICABLE LSI FACILITIES AS DIRECTED BY THE INTEGRATED PRODUCT TEAM LEAD OR SUB-LEAD (IPT):

HOUSTON
THE BOEING COMPANY
INTEGRATED DEFENSE SYSTEMS - FCS PROGRAM
13100 SPACE CENTER BLVD.
HOUSTON, TEXAS 77059
ATTENTION: JASON COX - GOVERNMENT PROPERTY MANAGEMENT, (281)
244-3069

HUNTINGTON BEACH
THE BOEING COMPANY
INTEGRATED DEFENSE SYSTEMS - FCS PROGRAM
5222 RANCHO ROAD
HUNTINGTON BEACH, CALIFORNIA 92647
ATTENTION: GFP CAGE BUILDING 040

MESA
THE BOEING COMPANY
INTEGRATED DEFENSE SYSTEMS - PCS PROGRAM
5000 EAST MCDOWELL ROAD
MESA, ARIZONA 85215 -- 9797
ATTENTION: GOVERNMENT PROPERTY STORES - FCS

PHILADELPHIA
THE BOEING COMPANY
INTEGRATED DEFENSE SYSTEMS - FCS PROGRAM
BLDG 3-60
STEWART AVE & INDUSTRIAL HWY
RIDLEY PARK, 19078

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SEATTLE
THE BOEING COMPANY
INTEGRATED DEFENSE SYSTEMS - FCS PROGRAM
9725 EAST MARGINAL WAY S.
MMA35
BLDG 9-101, DOOR N9, COL. H9
SEATTLE, WASHINGTON 98108

ST. LOUIS
THE BOEING COMPANY
INTEGRATED DEFENSE SYSTEMS - FCS PROGRAM
BUILDING 220
153 J.S. MCDONNELL BLVD.
HAZELWOOD, MISSOURI 63042
ATTENTION: PROPERTY WAREHOUSE / SCOTT STEVENS

Absent any specific delivery destination(s) set forth in the contract Statement of Work, Seller shall deliver all data and correspondence to the following Buyer's facility:

Science Applications International Corporation
6725 Odyssey Drive
Huntsville, Alabama 35806
Attention: J.R. (Rick) Yoast
Mail Code: MB#4

F.3 PERFORMANCE

- a. The principal place of performance under this contract shall be Seller's facilities located at 63 South Avenue, Burlington MA 01803-4903.

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- b. If Seller encounters difficulty in meeting performance requirements, or anticipates difficulty in complying with the contract delivery schedule(s) or date(s), Seller shall immediately notify Buyer's authorized Procurement Agent in writing giving pertinent details; provided, however, that this data shall be informational only in character and that this clause shall not be construed as a waiver by Buyer of any delivery/performance schedule or any rights or remedies provided by law or under this contract.

F.4 PERIOD OF PERFORMANCE

- a. The contract period of performance is:

CLIN	Start Date	Completion Date
-----	-----	-----
0001	Nov 2003	MAR 2013
0002	Nov 2003	MAR 2013
0003	Nov 2003	*N/A
0004	Nov 2003	MAR 2013
0005	Nov 2003	MAR 2013
0006	Nov 2003	MAR 2013
0007	Nov 2003	MAR 2013
0008	In Accordance with SDRL Schedule	

* THE EMULATOR REQUIREMENTS AS RELATED TO CLIN 0003 ARE ELIMINATED.

- b. Buyer is not obligated to reimburse Seller for any work performed or costs incurred before or after the specified start or completion date(s) of the respective CLIN specified above unless agreed in writing by Buyer's authorized Procurement Agent.
- c. The contracting parties agree that Seller shall perform reasonable and necessary closeout duties after the performance period end date noted herein.
- d. Any extension of the performance periods requires Buyer's written approval.

F.5 CONTRACT DELIVERABLES

- a. Data Items. Seller shall deliver data items in accordance with the Subcontract Data Requirements List Data (SDRL) and accompanying Data Item Description (DID), as applicable. Unless specified otherwise, submittal of data deliverables, i.e., SDRL items, will be via the Advanced Collaborative Environment (ACE). Data deliverables will be marked in accordance with the Data and Software Rights article of clause 5068 and other marking requirements set forth in this contract.
- b. Other Data/Information. Day-to-day IPT products such as technical assessment results, analyses, trade studies, and plans, will be made available to Buyer via the ACE. However, unless such day-to-day IPT products are explicitly specified as a contract deliverable, i.e., SDRL, these products will not be subject to the marking requirements specified in the Data and Software Rights article of clause 5068.

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- c. Supplies/Goods. Seller shall deliver goods in accordance with the Contract Delivery/Performance Schedule set forth in Section J-16.
- d. Task Orders. Seller shall perform task order effort and deliver goods and/or data, as applicable in accordance with any task order issued under this contract.

F.6 CONTRACT PERFORMANCE SCHEDULE

The contract performance milestones and events and their corresponding required completion dates are in the Contract Delivery/Performance Schedule set forth below.

MILESTONE	EVENT	SCHEDULE *
1	UGV System Requirements Review (UGVSRR)_	NLT June 2004
2	UGV System Functional Review (UGVSFR)	NLT September 2004
3	Complete System Requirements Review (SRR)	NLT January 2005
4	COMPLETE SYSTEM FUNCTIONAL REVIEW (SFR)	NLT DECEMBER 2005
5	Complete Preliminary Design Review (PDR)	NLT SEPTEMBER 2006
6	Complete Critical Design Review (CDR)	NLT JULY 2007
7	Commence Delivery of Prototypes	NLT AUGUST 2009

* IN ACCORDANCE WITH J-12 SUGV SCHEDULE.

F.7 PROGRAM SCHEDULE

Seller shall support the Program Integrated Master Schedule (IMS) document set forth in Section J-12. The FCS Program IMS is an integrated master schedule of time-phased tasks that supports the Program Events and associated Significant Accomplishments of the Integrated Master Plan (IMP).

F.8 FCS PROGRAM MAJOR MILESTONE SCHEDULE

- a. THESE ARE THE SIGNIFICANT FCS PROGRAM EVENTS, ALONG WITH THE MAJOR MILESTONE DATE FOR EACH EVENT.

FCS PROGRAM MILESTONE	EVENT DATE	COMMENT
PROGRAM DEFINITIZATION	11/26/2003	COMPLETE
SOS SRR	12/18/2003	COMPLETE
SOS DCR	06/18/2004	COMPLETE
SOSFR {ENGINEERING MATURITY 0(END OF EI0)	08/11/2005	
CAPABILITY MATURITY 0 (END OF IV0); IPDR, IN PROCESS	06/29/2006	
PRELIMINARY DESIGN REVIEW		
ENGINEERING MATURITY 1 (END OF EI1)	06/28/2007	
CAPABILITY MATURITY 1 (END OF IV1); ICDR, IN-PROCESS	09/25/2008	
CRITICAL DESIGN REVIEW		
ENGINEERING MATURITY 2 (END OF EI2)	06/25/2009	
CAPABILITY MATURITY 2 (END OF IV2)	09/30/2010	
ENGINEERING MATURITY 3 (END OF EI3)	06/23/2011	
CAPABILITY MATURITY 3 (END OF IV3)	09/27/2012	
ENGINEERING MATURITY 4 (END OF EI4)	06/20/2013	BEYOND POP OF CONTRACT - FOR INFO ONLY
VERIFICATION COMPLETE (END OF IV4)	12/11/2014	BEYOND POP OF CONTRACT - FOR INFO ONLY
SDD CLOSEOUT	12/18/2014	BEYOND POP OF CONTRACT- FOR INFO ONLY

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- b. ABBREVIATIONS/ACRONYMS. THE FOLLOWING NAMES/DESCRIPTIVE TERMS APPLY TO THE ABBREVIATIONS/ACRONYMS USED IN PARAGRAPH "a." ABOVE:

DCR	DESIGN CONCEPT REVIEW
EI	ENGINEERING ITERATIONS
ICDR	IN PROCESS CRITICAL DESIGN REVIEW
IPDR	IN PROCESS PRELIMINARY DESIGN REVIEW
IPR	IN PROCESS REVIEW
I&V	INTEGRATION AND VERIFICATION
SOS	SYSTEM OF SYSTEMS
SOSFR	SYSTEM OF SYSTEMS FUNCTIONAL REVIEW
SRR	SYSTEM REQUIREMENTS REVIEW
UA	UNIT OF ACTION
POP	PERIOD OF PERFORMANCE

END OF SECTION F

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SECTION G - CONTRACT ADMINISTRATION DATA

G.1 INVOICE AND PAYMENT

The overall reimbursement structure of this contract is Cost-Plus-Fix-Fee, as defined in Section B.1, and applies to all CLINs. In consideration for performing contract activities, Seller shall invoice and receive Buyer payments in accordance with the provisions of this Section G, and the Invoice and Payment article of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)."

G.2 PAYMENT OF FIXED FEE - ALL NON-TASK ORDER CLINs

- a. Subject to the "Fixed Fee" clause of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime)," Seller will be paid in installments at the time of each provisional payment on account of the allowable costs. The amount of fixed fee paid will be based on the ratio that the Seller's incurred allowable costs bear to the total estimated cost. The method of fee payment is as follows (percent completion method based on cost):

Total payable fixed fee by CLIN is equal to the total CLIN fixed fee amount set forth in the contract multiplied by the quotient of total incurred/expended CLIN cost divided by total estimated CLIN cost specified in the contract:

$$\begin{array}{r} \text{Total Payable} = [\text{Total CLIN Fixed Fee}] \times \frac{[\text{Total Incurred/Expended CLIN Cost}]}{\text{-----}} \\ \text{Fixed Fee by CLIN} \quad [\text{Specified in Contract}] \quad \frac{[\text{Total Estimated CLIN Cost Specified}]}{\text{In Contract}]} \end{array}$$

Total payable CLIN fixed fee (calculated from above) minus (previous paid fixed fee) equals the current fixed fee payment installment.

- b. For each non-task order CLIN, if the Seller does not successfully complete the stated goals, targets and end-product deliveries of the Statement of Work required by the contract, and Buyer does not authorize more effort with an increase in cost, the fixed fee of the applicable CLIN shall be equitably adjusted downward. However, if Seller completes the stated goals, targets and end-product deliveries of the Statement of Work required by contract, and under runs the costs, the Seller is entitled to the entire fixed fee for the applicable CLIN.

G.3 COST UNDERRUN INCENTIVE -- ALL NON-TASK ORDER CLINs

In addition to the payable fixed fee, Seller may earn additional fee in accordance with the enclosure entitled "Underrun Fee Provisions," set forth in Section J.

G.4 PAYMENT OF FIXED FEE - CPFF (LOE) TASK ORDER CLINs (0006 ONLY)

- a. Subject to the "Fixed Fee" clause of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime)," the fixed fee for each task order authorized in accordance with the Section H clause entitled "Authorization and Administration Of CPFF Level-Of-Effort (LOE) Task Orders," shall be paid -
- at the end of the period of performance (expiration date) set forth in the task order;
 - after Buyer's receipt of an acceptable invoice; and
 - after Buyer's acceptance of Seller's "Certificate of Utilization of Hours" and the task order effort

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- b. In the event the Seller does not expend the specified LOE (minimum quantity of direct labor hours) required by the authorized task order within the specified time period, the task order fixed fee shall be equitably adjusted downward. However, if Seller expends the specified LOE within the specified time period and under runs the task order costs, the Seller is entitled to the entire fixed fee of the task order.

G.5 PAYMENT OF FIXED FEE - CPFF (COMPLETION) TASK ORDER CLINs (0006 ONLY)

- a. Subject to the "Fixed Fee" clause of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime)," the fixed fee for each task order authorized in accordance with the Section H clause entitled "Authorization and Administration Of CPFF Completion Task Orders," shall be paid in installments no more than once every two weeks upon receipt of an acceptable invoice, and at the same time Seller's task order costs are invoiced;

Calculation of fixed fee will be based upon the ratio of cumulative task order costs incurred, to date, to the total estimated task order costs. Example:

$$\begin{array}{rcl} \text{Total Payable Task} = & [\text{Total Fixed Fee}] & \times [\text{Total Incurred/Expended Task Order Cost}] \\ \text{Order Fixed Fee} & [\text{Specified in Task Order}] & \frac{\text{-----}}{[\text{Total Estimated Cost Specified in Task Order}]} \end{array}$$

Total payable fixed fee (calculated from above) minus (previous paid fixed fee) equals the current fixed fee payment installment.

- b. The Buyer will not pay the last task order invoice until after Buyer's acceptance of Seller's "Certificate of Completion" and the task order effort.
- c. In the event the Seller does not successfully complete the stated goals, targets and end-product deliveries of the Statement of Work required by the task order, and the Buyer does not authorize more effort with an increase in cost, the task order fixed fee shall be equitably adjusted downward. However, if Seller completes the task order, submits an acceptable Certificate of Completion and under runs the task order costs, the Seller is entitled to the entire fixed fee of the task order.

G.6 PAYMENT TERMS

Payment terms are listed on page 1 of the contract.

G.7 STATE SALES - USE TAX

All goods and services purchased under this contract are for resale through the State of Alabama or the State of California and are for resale under a Prime Government Contract number DAAE07-03-9-F001. Buyer's Tax Permit Number(s) are as follows: #6800-04-119 for the State of Alabama or #SYFH25- 646030 for the State of California.

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G.8 SUBMISSION OF INVOICES

Seller shall submit invoices no more than once every two weeks. Seller shall submit an original and two (2) duplicate copies of the invoice for provisional payment to the following location:

Science Applications International Corporation
6725 ODYSSEY DRIVE
HUNTSVILLE, ALABAMA 35806
Attention: J.R. (Rick) Yoast
Mail Code: MB#4

In addition, Seller shall mail and, if requested, fax a copy of the invoice to Buyer's authorized Procurement Agent for provisional approval of payment.

G.9 INVOICE CONTENTS

Seller shall prepare and submit invoices and attachments to include the following minimum information:

- a. Seller's name and business address; invoice number and date; Buyer's contract number and original date of award; prime contract number; name of Buyer's authorized Procurement Agent; CLIN/Item Number; description of goods and/or services with corresponding part numbers, unit of measure, quantities and unit prices; separately itemized taxes; extended totals; Seller's signature and payment terms. Invoices shall include the "Amount Previously Billed," the "Amount of this Invoice," the "Total Amount Billed to Date", and the "Amount of Withhold". Seller shall submit invoices for the full amount stating the amount of withhold/retention for each line item billed.
- b. Name and telephone number of Seller's representative to be notified if the invoice is incorrect or there are questions.
- c. Date of delivery or service. Enter the date(s) that the goods or services billed were provided to Buyer, or during which the billed costs and fees were incurred. All costs billed must have been incurred within the contract period of performance.
- d. CLIN/Item amounts. Segregate charges by CLIN/Item, and enter amounts billed for cost and fee on separate lines. Any credits listed on the invoice must also be segregated by CLIN/Item and identified as applicable to cost and/or specified category of fee.
- e. Certification and signature. Enter the signature (electronic equivalent is acceptable) of Seller's authorized representative and date of said signature after the following certification language: "Pursuant to authority vested in me, I certify that this invoice is correct and proper for payment."
- f. Cost Plus Fixed Fee LOE Task Order invoices must contain the number of labor hours expended and certification that the hours expended are correct in accordance with the certification referred to in paragraph H. 18 b. of the subcontract.

Invoices submitted without the above information may be returned to Seller for correction.

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G.10 TECHNICAL AND ADMINISTRATIVE REPRESENTATIVES

- a. The following Technical and Contract Representatives are designated for this contract:

Seller's Technical Representative is: Robert A. Bell, FCS Program Manager

Seller's Contract Representative is: Robert L. Moses, Director, Acquisitions & Business Development

Buyer's Technical Representative is: John Possel, SUGV Program Manager

Buyer's Procurement Agent is: J.R. (Rick) Yoast, Sr. Subcontracts Administrator

In the event Buyer's Procurement Agent specified above is not available, Janice Schuckman, Subcontracts Manager or his/her duly authorized representative shall serve as Buyer's authorized Procurement Agent. In the event Seller's Contract Representative (Contract Manager/Administrator) is not available, M. David Adler, Sr. Vice-President & Treasurer or his/her duly authorized representative shall serve as Seller's Contract Representative.

- b. Buyer's Technical Representative is responsible for day-to-day clarifications, guidance and technical direction as may be required within the scope of the technical work requirements, "technical direction" shall be in accordance with the "Technical Direction" clause of the General Provisions of the contract
- c. Contact between the contracting parties regarding prices, terms, quantities, deliveries, and financial adjustments shall only be made between the above-designated Contract Representative (Seller) and Procurement Agent (Buyer). Actions taken by Seller, which by their nature effect a change to this contract, shall be binding upon Buyer only when such action is specifically authorized in writing by Buyer's authorized Procurement Agent. Unless specified otherwise in this contract, all written communications between the contracting parties shall be directed between the above-designated Contract Representative and Procurement Agent.
- d. Buyer shall be responsible for all liaison and communications with Buyer's customer as well as other Buyer subcontractors for the term of this contract. Seller shall not communicate with Buyer's customer or Buyer's other subcontractors regarding this contract except with prior consent of Buyer or when already expressly authorized by this contract.
- e. No request, notice, authorization, direction or order received by Seller shall be binding upon Buyer, or serve as the basis for a change in the contract, unless issued (or confirmed) in writing by Buyer's authorized Procurement Agent.
- f. Seller shall immediately notify Buyer's authorized Procurement Agent whenever a verbal or written change notification has been received from an employee of Buyer (other than the Procurement Agent), which would affect any of the terms, conditions, cost, schedules, etc., of this contract, and Seller is to perform no work or make any changes in response to any such notification or make any claim on Buyer unless Buyer's authorized Procurement Agent directs Seller, in writing, to implement such change notification.

END OF SECTION G

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SECTION H - SPECIAL PROVISIONS

H.1 INCREMENTAL FUNDING

- a. The total sum presently available for payment and allotted to this contract is \$10,216,889.89, which is estimated to cover all CLINs listed below, including reasonable amounts for termination and for fee. The funds depletion date (the estimated date on which funding will be exhausted) for each CLIN is specified below. Total funding allotted to each applicable CLIN and corresponding funds depletion date are as follows:

CLIN	Funds Allotted	Est. Funds Depletion Date
0001	\$ 9,839,788.00	31 MAY 2005 (AS OF ACFO NO. 010)
0002	CLIN Part of CLIN 0001 - not specifically funded	
0003	CLIN Part of CLIN 0001 - not specifically funded	
0004	CLIN Part of CLIN 0001 - not specifically funded	
0005	\$ 227,109.00	31 MAY 2005 (AS OF ACFO NO. 010)
0006	\$ 149,992.89	28 MAY 2004 (as of ACFO No.004)
0007	CLIN Part of CLIN 0001 - not specifically funded	
0008	CLIN Part of CLIN 0001 - not specifically funded	

- b. Incremental funding provided for CLINs 0006 (above) is a total not-to-exceed value for these CLINs. Actual funding values shall be provided individually within each authorized Task Order, and total estimated cost, FCCOM and fixed fee for CLINs 0006 are the sum of the definitive task order values listed in Section 3.a of this subcontract.
- c. Notwithstanding any other provision of this contract, all payments to Seller shall be subject to the funding limitation(s) set forth above.
- d. All changes in funding as contemplated by the "Limitation of Funds" clause in the General Provisions of this contract will be made by way of a Contract Change Funding Order. Each such Contract Change Funding Order shall state the total funds allotted for the performance of this contract and the estimated period of time or funds depletion date to be covered by the funds then allotted. The provisions relating to funds allotted and time period or funding depletion date covered thereby shall be deemed modified in accordance with each such Contract Change Funding Order.

H.2 BUYER FURNISHED EQUIPMENT, PROPERTY, INFORMATION, FACILITIES, AND SERVICES

Pursuant to Buyer's Property clause(s) set forth in Section I General Provisions, Buyer shall furnish to Seller in the performance of this contract the Equipment, Property, Information, Facilities, and Services (hereinafter collectively referred to as "BFX") identified on the list entitled "BFX List." The BFX List is set forth by attachment in Section J-7 entitled "BFX List."

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H.3 GOVERNMENT-FURNISHED ASSETS (GFX)

(a) THE TERM "GFX," AS USED IN THIS CLAUSE, MEANS GOVERNMENT-FURNISHED ASSETS CONSISTING OF EQUIPMENT, PROPERTY, INFORMATION, FACILITIES AND SERVICES. GFX SHALL NOT BE FURNISHED TO THE SELLER UNTIL APPROVED BY THE FCS GRANTS OFFICER (GOVERNMENT).

(b) EACH ITEM OF GFX IN THE BELOW LIST IS DESIGNATED AS EITHER SELLER-PROPOSED GFX OR GOVERNMENT-APPROVED GFX. GFX THAT IS DESIGNATED SELLER-PROPOSED WILL BE CHANGED TO GOVERNMENT-APPROVED WHEN BUYER RECEIVES GOVERNMENT AUTHORIZATION OR APPROVAL FOR SELLER'S USE OF THE GFX. THE GOVERNMENT IS NOT OBLIGATED TO FURNISH ANY ITEM OF GFX UNTIL SUCH AUTHORIZATION/APPROVAL IS RECEIVED BY BUYER. UPON RECEIPT OF SUCH GOVERNMENT AUTHORIZATION/APPROVAL, BUYER WILL ISSUE A UNILATERAL, ADMINISTRATIVE MODIFICATION TO THIS CONTRACT CHANGING THE DESIGNATION OF THE GFX FROM SELLER-PROPOSED GFX TO GOVERNMENT-APPROVED GFX.

(c) IN THE EVENT THE GOVERNMENT DISAPPROVES SELLER'S REQUEST FOR USE OF GFX, OR THE GOVERNMENT APPROVES SELLER'S REQUEST, BUT SUCH APPROVAL DOES NOT MEET THE SELLER'S REQUIREMENTS SPECIFIED IN THE BELOW GFX LIST (E.G., GFX ARRIVES LATER THAN THE SPECIFIED NEED-DATE, AND, AS A DIRECT RESULT, SELLER INCURS ADDED/UNPLANNED COSTS TO IMPLEMENT A WORK-AROUND SCHEDULE), THE CONTRACT SHALL BE SUBJECT TO EQUITABLE ADJUSTMENT.

(d) SELLER SHALL ASSIST BUYER IN OBTAINING GOVERNMENT APPROVAL FOR SELLER'S-USE OF GFX BY -

1. ASSISTING BUYER IN COMPLETING THE FCS GFX REQUEST FORM FOR SELLER-PROPOSED GFX. THIS GFX REQUEST FORM AND THE INSTRUCTIONS FOR COMPLETING THE FORM ARE AVAILABLE TO THE SELLER VIA ACE.

2. ASSISTING BUYER IN OBTAINING A WRITTEN STATEMENT OF AVAILABILITY FROM THE GOVERNMENT-OWNER/CUSTODIAN OF THE SUBJECT GFX. THE STATEMENT OF AVAILABILITY WILL CLEARLY STATE THE AVAILABILITY TERMS OF THE REQUESTED GFX. SUCH AVAILABILITY TERMS INCLUDE DATES OR TIME FRAME WHEN THE GFX WILL BE AVAILABLE FOR USE BY SELLER. IF THE GFX WILL NOT BE AVAILABLE TO THE FCS PROGRAM ON A NO-COST, RENT-FREE USE BASIS, THE STATEMENT OF AVAILABILITY WILL INCLUDE THE RENTAL TERMS. IF THE GFX IS NOT AVAILABLE FOR ANY OTHER REASONS, THESE REASONS SHALL BE CLEARLY STATED.

(e) RECEIPT OF GFX -

1. SELLER SHALL NOTIFY BUYER PROMPTLY UPON RECEIPT OF GFX. SUCH NOTIFICATION SHALL INCLUDE PROVIDING A LIST OF GFX RECEIVED BY SELLER'S SUBCONTRACTORS/SUPPLIERS.

2. UPON RECEIPT OF GFX, SELLER SHALL INSPECT THE GFX TO IDENTIFY ANY OVERAGES, SHORTAGES, OR DAMAGES. SELLER SHALL PROVIDE BUYER A WRITTEN REPORT OF ANY OVERAGES, SHORTAGES OR DAMAGES AND THEIR APPARENT CAUSES.

3. SELLER WILL INCORPORATE THE SUBSTANCE OF THIS PARAGRAPH (e) IN ALL SUBCONTRACTS THAT MAY INVOLVE GFX AND WILL PROVIDE TO BUYER REPORTS OF OVERAGES, SHORTAGES, OR DAMAGES RECEIVED FROM LOWER TIER SUBCONTRACTORS.

(f) GFX LIST

THE GFX LIST IS SET FORTH BY ATTACHMENT IN SECTION J-7 ENTITLED "GFX LIST

H.4 DATA OR SOFTWARE TO BE PROVIDED WITH RESTRICTIONS

In accordance with the Data and Software Rights article of clause 5068, Seller and Seller's subcontractors/suppliers have identified data and software to be furnished with restrictions. This identified data and software is set forth by attachment in Section J entitled "Data or Software to be Provided With Restrictions."

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H.5 ORDERING FROM GOVERNMENT SUPPLY SOURCES (PRIME FLOWDOWN)

SELLER IS AUTHORIZED TO USE GOVERNMENT FEDERAL SUPPLY SCHEDULE CONTRACTS IN THE PERFORMANCE OF THIS AGREEMENT. THIS AUTHORIZATION IS ISSUED IN ACCORDANCE WITH PROVISIONS OF 48CFR SUBPART 51.1 "CONTRACTOR USE OF GOVERNMENT SUPPLY SOURCES" AND CAN BE USED ONLY TO ACQUIRE GOODS AND SERVICES REQUIRED SPECIFICALLY FOR PERFORMANCE UNDER THIS AGREEMENT AS SET FORTH IN NEW ATTACHMENT J-10 AND LISTED IN SECTION J.

FOR EACH ORDER PLACED TO A FEDERAL SUPPLY SCHEDULE VENDOR (1) A COPY OF THE AUTHORIZATION LETTER MUST ACCOMPANY THE ORDER, UNLESS A COPY WAS PREVIOUSLY FURNISHED TO THE VENDOR, AND (2) THE FOLLOWING STATEMENT MUST APPEAR ON THE ORDER:

"THIS ORDER IS PLACED UNDER AGREEMENT DAAE07-03-9-F001, DATED MAY 30, 2003, WITH U.S. ARMY TANK-AUTOMOTIVE AND ARMAMENTS COMMAND (TACOM) AND AS PROVIDED BY AUTHORIZATION LETTER DATED 11 JUN 2003. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE TERMS AND CONDITIONS OF THIS ORDER AND THOSE OF YOUR FEDERAL SUPPLY SCHEDULE CONTRACT, THE LATTER WILL GOVERN."

SELLER'S ORDERING AUTHORIZATION MAY BE UNILATERALLY WITHDRAWN, OR SUSPENDED, IN WHOLE OR IN PART, BY PROVIDING WRITTEN NOTICE TO THE SELLER.

H.6 KEY PERSONNEL

a. The following key personnel are considered essential to this contract and are considered full-time participants:

NAME	TITLE
-----	-----
Robert A. Bell	FCS Program Manager
MIKE BASSETT	Technical IPT Lead
Judith Blinn	Contracts MANAGER
Chris Norman	SoS IPT Lead

b. In the event Seller removes any of the above personnel from the contract, Seller shall notify in writing Buyer's authorized Procurement Agent and will provide a qualified replacement.

H.7 RESERVED

H.8 CERTIFICATION OF FINAL INDIRECT COSTS (PRIME FLOWDOWN)

a. For the purposes of this certificate, Seller will submit the standard FAR certificate of final indirect costs (see FAR 52.242-4) to the cognizant Government activity. If a Seller is not otherwise required to submit the standard FAR certificate for final indirect costs, then it shall submit the certificate below.

b. Seller (as applicable) shall (1) certify, in the format below, any proposal to establish or modify final indirect cost rates; and (2) have the certificate signed by an individual of Seller's organization at a level no lower than a vice president or chief financial officer of Seller's business segment that submits the proposal.

c. Failure to execute and submit the certification described may result in final indirect cost rates being unilaterally established by the Government Grants Officer or Government Administrative Agreements Officer. The Grants Officer may request a copy of Seller's Certificate of Final Indirect Costs from the cognizant Government agency assigned (e.g. DCAA, DCMA).

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Certificate of Final Indirect Costs

This is to certify that I have reviewed this proposal to establish final indirect cost rates and to the best of my knowledge and belief, all costs included in this proposal (identify proposal and date) to establish final indirect cost rates for (identify period covered by rate) are allowable in accordance with the cost principles of the Federal Acquisition Regulation (FAR) and its supplements, or in the case of a non-traditional defense contractor in accordance with GAAP, applicable to the contracts to which the final indirect cost rates apply.

Firm: _____
 Signature: _____
 Name of Certifying Official: _____
 Title: _____
 Date of Execution: _____

- d. Seller shall submit the above certificate to Buyer's authorized Procurement Agent at the time it establishes its final, annual indirect cost rates, except when Seller is submitting to the cognizant Government activity the standard FAR certificate of final indirect costs. If Seller is submitting the standard FAR certificate, Seller shall provide written notification to Buyer's authorized Procurement Agent of this occurrence.

H.9 EQUITABLE ADJUSTMENT (PRIME FLOWDOWN)

- a. General. Any reference to an Equitable Adjustment under this contract is subject to this definition.
- b. Definition. The term "Equitable Adjustment" refers to whenever a provision of this contract states that Seller may be or is entitled to an "Equitable Adjustment," Buyer, at its sole option, may direct that the modification implementing the adjustment (1) maintain the overall schedule and estimated cost by removing requirements from the statement of work that reduce cost and/or schedule by an amount equal to the increased cost and/or schedule caused by the event giving rise to the Equitable Adjustment or (2) increase estimated cost and/or schedule, as appropriate, to account for the impact of the change.
- c. Unless directed otherwise by Buyer's authorized Procurement Agent, any request by Seller for an Equitable Adjustment will maintain the overall schedule and estimated cost and include recommendations of statement of work requirements to be modified, reduced, or deleted in order to perform within the existing contract schedule and cost boundaries. Adjustments implemented under b (1) above will not cause any revision to the amount of Fee available for this contract.

H.10 MODIFICATIONS (PRIME FLOWDOWN)

- a. General. At any time during the term of the contract, contract progress or contract results may indicate that a change in the contract would be beneficial to the contract or FCS program objectives. Recommendations made by Seller for modifications, including justifications by Seller to support any proposed changes in the contract, excluding equitable adjustment proposals submitted under the Changes article of clause GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)", will be documented in a letter and submitted by Seller to Buyer's authorized Procurement Agent. This documentation letter will (1) detail the technical, chronological, and financial impact of the proposed modification; and (2) identify what work is being modified, reduced or deleted to accommodate the proposed change. If Seller believes it cannot maintain the overall schedule and estimated cost within the existing contract schedule and cost boundaries, Seller shall submit in its documentation letter a ceiling price for the impact of the proposed change, or if requested by Buyer, a firm proposal or a Ceiling Rough-Order-of-Magnitude

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Cost prepared in accordance with Section H.11 "Contract Change Proposals." Buyer is not obligated to pay for any proposed change until the contract is formally revised by Buyer's authorized Procurement Agent. Buyer is not obligated to initiate work for any proposed change made by Seller until such time as the contract parties execute a bilateral modification or Buyer's authorized Procurement Agent issues a unilateral contract modification pursuant to the Changes article of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)".

- b. Unilateral Contract Changes. In the event Buyer issues a unilateral contract modification pursuant to the Changes article of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)", and the modification involves new work, Buyer's authorized Procurement Agent will advise Seller of the availability of additional funding for the new work, or if the additional funding is not available, advise Seller that new work must be accomplished within existing funding constraints. Further, in accordance with the Section H.9 "Equitable Adjustment," unless directed otherwise by Buyer's authorized Procurement Agent, Seller's equitable adjustment proposal prepared and submitted in response to a unilateral contract modification issued by Buyer's authorized
- c. Procurement Agent will maintain the overall schedule and estimated cost and include recommendations of statement of work requirements to be modified, reduced, or deleted in order to perform within the existing contract schedule and cost boundaries.
- d. Cost or Pricing Information in Support of Modifications. Although, Seller's cost or pricing information to support contract modifications will not require TINA certification, Seller shall prepare and submit contract modification change proposals to Buyer in adequate detail to comply with the following:
- (1) If the proposed price is controlled under law by periodic rulings, reviews, or similar actions of a governmental body, attach a copy of the controlling document to your proposal.
 - (2) If the proposed price is for a commercial item, Seller shall provide, at a minimum, information on prices at which the same or similar items have previously been sold, leased or licensed or had been offered for sale, lease or license that is adequate for evaluating the reasonableness of the price of the modification. Such information may include:
 - (a) For catalog items, a copy of, or identification of the catalog and its date, or the appropriate pages for the proposed items, or a statement that the catalog is on file in the buying office to which the proposal is being submitted. Provide a copy or describe current discount policies and price lists (published or unpublished), e.g., wholesale, original equipment manufacturer, or reseller. Also explain the basis of each proposed price and its relationship to the established catalog price, including how the proposed price relates to the recent sales in quantities similar to the proposed quantities.
 - (b) For market-priced items, the source and date or period of the market quotation or other basis for market price, the base amount, and applicable documents. In addition, describe the nature of the market.
 - (3) Seller grants Buyer's authorized Procurement Agent, or an authorized Government representative, the right to examine, at any time the books, records, documents, or other directly pertinent records to verify the reasonableness of price for (1) or (2) above. For items priced using catalog or market prices, or law or regulation, access does not extend to cost or profit information or other data relevant solely to Seller's determination of the prices to be proposed in the catalog or marketplace.

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- (4) If neither (1) or (2) apply, then Seller shall submit data in accordance with Table 15-2 of FAR 15.408. This data shall not require TINA certification.
- (5) If requested by Buyer's authorized Procurement Agent, Seller shall submit one copy of its change proposal to the Government Administrative Contracting Officer and the cognizant DCAA auditor.

H.11 CONTRACT CHANGE PROPOSALS

- a. If specific modifications to the contract statement of work are being considered (contemplated) by Buyer, and it is determined that such modifications are within the general scope of the contract, but may not be initiated or authorized by Buyer without a net cost increase and/or schedule change to the contract, Buyer's authorized Procurement Agent may request Seller to prepare and submit a change proposal for the contemplated modifications. Upon receipt of a written request from Buyer's authorized Procurement Agent and in accordance with the Procurement Agent's instructions, Seller shall prepare and submit a proposal for the contemplated contract change in compliance with one of the two types of cost proposals requested by Buyer, and described in this clause.
- b. Reserved
- c. Submission of Firm Cost Proposals. When requested by Buyer, Seller shall prepare the firm cost proposal in such form and substance as to represent a request for contract adjustment pursuant to Section H.10 "Modifications" and the "Changes" article of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)"; and unless authorized by Buyer's authorized Procurement Agent, will normally be received prior to the issuance of Buyer's written authorization for Seller to proceed with the modified work incorporated by the change. If Buyer decides to authorize the change, the firm cost proposal shall be cited in Buyer's unilateral contract modification, and upon its issuance, shall be a binding part of the contract pending definitization of the Equitable Adjustment. This firm cost proposal is the maximum adjustment to be made in the total contract price; i.e., target cost, estimated cost, target fee or fixed fee, as appropriate for the type of contract; or in the delivery schedule (or time of performance) by reason of the change. In no event shall the definitive Equitable Adjustment exceed the limitations established with the exception of adjustments affected by rate changes which have been approved by the Government subsequent to the submittal date of the firm cost proposal. This exception applies provided that the original firm cost proposal submittal utilized Government approved rates. Firm cost proposals submitted by Seller which require modification because of redirection by Buyer's authorized Procurement Agent so that the original firm cost proposal submitted is no longer applicable, i.e., 10% or more change in value, may require the timely resubmission of a revised firm cost proposal. Otherwise, the parties will negotiate changes affecting the cost proposal during negotiations or as changes to the original proposal.
- d. Submission of a Ceiling Rough-Order-of-Magnitude Cost Proposal. If time will not permit the submission of a firm cost proposal for the contemplated change, Buyer's authorized Procurement Agent may request Seller to submit a written "ceiling rough-order-of-magnitude (CROM)" amount for the contemplated change. Seller agrees that the CROM is the maximum adjustment to be made in the total contract price; i.e. target cost, estimated cost, target fee or fixed fee, as appropriate for the type of contract; or in the delivery schedule (or time of performance) by reason of the change, if Buyer authorizes the change. Buyer's authorized Procurement Agent may also solicit such agreement on CROM limitations for adjustments to any other provisions of the contract which may be subject to equitable adjustment by reason of the change. Any such written agreement shall be cited in the unilateral contract modification and, upon its issuance, shall be a binding part of the contract. In no event shall the definitive equitable adjustment exceed the limitations so established.

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- e. Seller agrees that firm cost proposals submitted pursuant to this clause shall remain valid for a period of 120 days after submission and that CROMs submitted pursuant to this clause shall remain valid for a period of 90 days after submission. A change proposal accepted in accordance with the "Changes" article of GP4 "The Boeing Company General Provisions (Cost Reimbursement Contract Under Government Prime Contract)" shall not be considered an authorization to Seller to exceed the estimated cost (or authorized funding allotment) in the contract, unless the estimated cost is increased by the unilateral contract modification or bilateral contract modification.

H.12 MAKE/BUY AND DIRECTED PROCUREMENTS (PRIME FLOWDOWN)

- a. Buyer reserves the right to participate in the development of Seller's Make/Buy Plan and in Seller's procurement source selection decisions and, if considered in the FCS program's interest, as determined solely by Buyer, may direct placement of Seller's subcontracts/purchase orders under this contract. Any such decision by Buyer that results in an increase to Seller's cost or schedule for performance will entitle Seller to an Equitable Adjustment as defined in Section H.9 "Equitable Adjustment." While Buyer will generally not interfere with Seller's internal processes, Buyer reserves the right to disapprove any Make/Buy decision and procurement source selection decision under Seller's processes regarding systems, subsystems or components.
- b. In the event Buyer disagrees with a source selection made by Seller as a result of a competitive source selection, Buyer may direct the subcontract award. Also, if existing technologies, systems and major systems already in development by, or for the Government, represent in Buyer's or Government's view the best approach to achieving the objectives of the FCS program, Buyer's authorized Procurement Agent may direct their use and Seller will not be required to compete the item, i.e., competitive source selection is not required. Any decision by Buyer that requires Seller to use a directed subcontractor that results in an increase to Seller's cost or schedule for performance, will entitle Seller to an Equitable Adjustment as defined in Section H.9 "Equitable Adjustment."

H.13 ONE TEAM SHARED DESTINY

- a. An essential feature of the FCS Program is the Army, DARPA, Industry "One Team" structure that emphasizes collaboration, partnership, teamwork and technical results in order to provide the Army with the desired capabilities to conduct full spectrum operations in the 21st century. In the spirit of this One Team approach, Seller agrees to the following:
1. Work cooperatively as a member of the "One Team" to identify and resolve problems and facilitate contract performance.
 2. Support the "One Team" idea of looking beyond the strict bounds of the contract to formulate "One Team" actions that promote a "shared destiny" of common goals and objectives.
 3. Support and promote a relationship that is based upon open and continuous communication, mutual trust and respect; to replace the "us vs. them" mentality of the past with a "win-win" philosophy for the future.
 4. Support a One Team Council approach by implementing the following:
 - i. Attend and actively participate in One Team Council meetings and support the Team's initiatives as required. The One Team Council participants shall consist of senior and executive management representatives from the Army, DARPA, Boeing, SAIC and selected major/critical FCS subcontractors.

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- ii. Share, evaluate, and implement best practices and common processes identified by the One Team Council as beneficial to the FCS Program and its participants.
 - iii. Participate in the identification and implementation of efficiency improvement opportunities.
5. Create, administer, and status a Management Reserve (MR) account equal to 7-10% of the contract's total estimated cost. The MR account shall be used to support the Program Level Change Management Process, as recommended by the One Team Council and mutually established by the contract parties.

H.14 FIREWALL - COMPETITION SENSITIVE INFORMATION

- a. General. Buyer has adopted a policy of controlling access to data that constitutes Competition Sensitive Information. Seller agrees to further this policy by complying with the provisions of this clause.
- b. Definitions
 - (1) "Competition Sensitive FCS Information" (referred to as "CSI") means information that Buyer or a Subcontractor IPT Leader has determined would give a bidder in a Competitive Procurement a significant unfair advantage over other bidders in that Competitive Procurement, which Buyer or a Subcontractor IPT Leader has marked, or caused to be marked, with a label containing the phrase "Competition Sensitive FCS Information."
 - (2) "Competitive Procurement" means a procurement for the FCS Program that Buyer or a Subcontractor IPT Leader intends to conduct in the future, in which requests for procurement will be issued to more than one potential supplier.
 - (3) "CSI Firewalled Employees" means individuals who are assigned to perform work on this contract and who are allowed access to CSI as described in paragraph c.
 - (4) "Subcontractor IPT Leader" means a subcontractor to Buyer which will lead an IPT or is required by Buyer as part of its subcontract from Buyer to conduct Competitive Procurements under a firewall. At this time, these include General Dynamics Land Systems and United Defense LP for Manned Ground Vehicles, Raytheon Corporation, Network Centric Systems for Ground Based Sensor Integration, Northrop Grumman Corporation, Electronic Systems Division, for Air Based Sensor Integration
- c. Access to CSI
 - (1) Documents containing CSI will be marked with a label that includes the phrase "Competition Sensitive FCS Information."
 - (2) CSI for each IPT will be maintained exclusively in one or more of the three following locations:
 - (a) computer servers designated by Buyer with CSI protected such that it is accessible only to CSI Firewalled Employees working on that IPT;
 - (b) rooms to which access is limited to CSI Firewalled Employees working on that IPT during the time CSI is in the room or otherwise disclosed; or
 - (c) computer hard drives of CSI Firewalled Employees working on that IPT.

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- (3) CSI can be shared and discussed only among persons who are CSI Firewalled Employees for that IPT.
 - (4) Seller will advise Buyer as to which of Seller's employees and those of its subcontractors should be designated as CSI Firewalled Employees for each IPT on which Seller participates.
 - (5) Seller will require its employees to refrain from sharing the CSI with any person who is not a CSI Firewalled Employee for that IPT.
 - (6) Each IPT will have a person assigned to it who is designated as the IPT Firewall Focal (if Seller is a Subcontractor IPT Leader, it will, if authorized by Buyer, appoint the IPT Firewall Focal). The IPT Firewall Focal on each IPT will (a) maintain the list of CSI Firewalled Employees within that IPT, (b) determine which documents or information created by the IPT should be designated as CSI, and assure that such information is properly marked and controlled, (c) determine when information previously designated as CSI should cease being so treated, and (d) monitor compliance by IPT participants with the requirements of this clause.
 - (7) Seller will require its employees to comply with direction of the IPT Firewall Focal.
 - (8) Seller will, subject to the overriding requirements of this clause, treat any CSI it receives as Proprietary Information and Materials under article 24 of contract Clause GP-4 in contract Section I hereunder.
- d. Participation in Competitive Procurements. Seller will not use existing CSI in any Competitive Procurement. Seller will restrict its CSI Firewalled Employees from participating in preparation of any proposals to Buyer or to a Subcontractor IPT Leader (either directly or as a team member with another company) for a Competitive Procurement while such persons are CSI Firewalled Employees and for a period of one year from the time that Seller notifies Buyer that such person should be removed from the list of CSI Firewalled Employees. Buyer will waive this restriction upon application by Seller if Buyer determines that the categories of CSI to which Seller's CSI Firewall Employees had access is not germane to a particular Competitive Procurement or if the only applicable CSI has expired (no longer considered CSI).
- e. Administration of Firewall
- (1) Seller will establish a firewall procedure to assure that the requirements of this clause will be met. Seller will provide Buyer with a copy of this procedure upon request. Buyer's approval of the firewall procedure is required if Seller is a Subcontractor IPT Leader.
 - (2) Seller will maintain a list of its CSI Firewalled Employees. Seller will record on this list the date that the employee started work on the contract and the date that the employee ceased performing contract work. Seller will make this record available to Buyer on request.
 - (3) Seller will train its CSI Firewalled Employees on the requirements of this clause, and will maintain records of the date on which each employee was trained. Seller will make these records available to Buyer on request.
 - (4) Seller will require its CSI Firewalled Employees to sign a form substantially similar to the following form:
- I acknowledge that I have been informed by my employer that:
- (i) I am obligated to maintain information designated as "Competition Sensitive FCS Information" as confidential and only use such for carrying out my employer's FCS Program purchase contracts.

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(ii) I may not share Competition Sensitive FCS Information with any person who has not signed a similar acknowledgment form. I must maintain Competition Sensitive FCS Information only on the restricted computer server identified by Boeing, except that I may download a document containing such information to my hard drive temporarily when I am working on the document, and I may maintain such documents in hard copy if they are kept or brought in a room to which only other CSI Firewalled Employees for my IPT have access.

(iii) I may not work on or support proposals by my employer (or any other company) for FCS Program subcontracts until I am informed by my employer that such restriction has been ended.

(iv) My failure to comply with these rules could result in disciplinary action up to and including suspension or termination of my employment.

I understand these restrictions are imposed for the purpose of assuring fair and equal subcontract competitions under the FCS Program.

- f. In the event that Seller becomes aware that any of its employees or those of its subcontractors have violated the conditions set forth in this clause, Seller agrees to notify Buyer of the violation within 72 hours after it is discovered and the proposed remedial actions.
- g. Seller will flow this clause down to any of its subcontractors who will have a requirement to be given access to CSI.

H.15 FIREWALL - PROPOSAL EVALUATION - SUBCONTRACTOR IPT LEADER

- a. General. Buyer has adopted a policy that employees of Buyer and Subcontractor IPT Leaders who conduct Competitive Procurements and will participate in review of proposals therefore must meet certain requirements in order to assure fairness in such reviews. Seller agrees to further this policy by complying with the provisions of this clause.
- b. Definitions
 - (1) "Proposal Information" means information that Buyer has received from bidders in a Competitive Procurement.
 - (2) "Competitive Procurement" means a procurement for the FCS Program that Buyer or a Subcontractor IPT Leader intends to conduct in the future, in which requests for procurement will be issued to more than one potential supplier.
 - (3) "Evaluator" means employees of Seller who are assigned to perform evaluation work for Competitive Procurements.
 - (4) "Proposal Evaluation" means any form of participation in review of bids received as a result of a Competitive Procurement.

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- c. Restrictions on Evaluators. Seller agrees not to designate as an Evaluator any person who worked for organization within Seller that has prepared or is submitting a bid in a Competitive Procurement within the year preceding the commencement of the Proposal Evaluation of that Competitive Procurement. Seller will prevent its Evaluators from participating in preparation of any proposals for a Competitive Procurement relative to any IPT for which they were an Evaluator or had access to Proposal Information until one year after the Evaluator has ceased performance of Proposal Evaluation work, or had access to Proposal Information, whichever is longer, relative to said IPT.
- d. Confidentiality of Procurement Information. Seller agrees to treat all Proposal Information as Proprietary Information in accordance with a standard proprietary information agreement with bidders (Buyer will provide as a model, which should be followed as closely as possible, the agreement it used with bidders for the SDD phase subcontracts). Seller agrees to require its Evaluators not to share any Competitive Proposal Information with any employee of Seller who is not an Evaluator.
- e. Administration of Firewall
- (1) Seller will establish a firewall procedure to assure that the requirements of this clause will be met. Seller will provide Buyer with a copy of this procedure for approval of Buyer upon Buyer's request.
 - (2) Seller will train its Evaluators on the requirements of this clause, and will maintain records of the date on which each employee was trained. Seller will make these records available to Buyer on request.
 - (3) Seller will maintain a list of its Evaluators. Seller will record on this list the date that the employee started evaluation work and the date that the employee ceased performing evaluation work relative to each IPT and Competitive Procurement. Seller will make this list available to Buyer on request.
 - (4) Seller will require its Evaluators to sign a form substantially similar to the following form:
 - (a) I will assist Boeing and my employer in the evaluation of proposals submitted by various companies for the purpose of obtaining subcontracts to perform work on the FCS Program.
 - (b) Information in the proposals is confidential, may only be used for evaluation of the proposals, and that I may not share information related to these (or any other proposals) with any person who has not signed a similar acknowledgment form.
 - (c) I may not work on proposals by my employer (or any other company), for competitive FCS subcontracts for one year following completion of the Proposal Evaluation for each IPT I was an Evaluator (or for which I had access to Competitive Proposal Information), unless I am informed by my employer that such restriction has been ended sooner.
 - (d) My failure to comply with these rules could result in disciplinary action up to and including suspension or termination of my employment.
- f. In the event that Seller becomes aware that any of its employees or those of its subcontractors have violated the conditions set forth in this clause, Seller agrees to notify Buyer of the violation within 72 hours after it is discovered and the proposed remedial actions.
- g. Seller will flow this clause down to any of its subcontractors who will participate in Proposal Evaluations.

H.16 EMPLOYMENT OF FORMER BUYER EMPLOYEES

- a. Seller will not employ any person who is a former employee of Buyer to perform work under this contract or in preparation of proposals for future work on the FCS Program, unless that person has worked for Seller for at least one year prior to commencement of such work.
- b. Buyer will waive this clause upon application by Seller if Buyer determines that the employment of such former Buyer employee would not violate any Buyer FCS Program directive.
- c. Seller will flow this clause down to its subcontractors at all tiers.

H.17 AUTHORIZATION AND ADMINISTRATION OF CPFF LEVEL-OF-EFFORT (LOE) TASK ORDERS (CLIN 006 ONLY)

- a. Task Order Proposal Preparation. When requested by Buyer's authorized Procurement Agent, Seller shall prepare and submit a task order proposal. The task order proposal shall contain a detailed technical description of the effort to be performed under the task order, the number of direct labor hours proposed for each direct labor category, and all Additional Other Direct Costs (AODCs) and its associated indirect costs proposed for the proposed task order. A "direct labor hour" is defined as a hour of labor performed (or estimated to be performed) by direct charge personnel and expended (or estimated to be expended) in accomplishing the task order. In preparing the task order proposal, and for purposes of establishing a proposed total estimated cost, FCCOM and fixed fee, Seller shall use the hourly rates and fee factors set forth in the attachment listed in Section J entitled "CPFF Task Order Rates and Supporting Information Requirements." Seller shall also provide to Buyer with each task order proposal the support information set forth in this attachment. Upon receipt/evaluation of the task order proposal, Buyer's authorized Procurement Agent may issue a bilateral task order to Seller for Seller's acceptance. The task order will be serially numbered, dated and signed by the Buyer's authorized Procurement Agent.
- b. Estimated Task Order Costs/Calculations for Preparing Task Order Proposals. The estimated cost (fully-burdened with G&A, excluding FCCOM) of each task order shall be the sum of the following cost bases: labor cost, subcontract cost (if applicable) and ODC (if applicable). Seller's estimated labor cost (excluding FCCOM) shall be the sum of the estimated labor costs calculated for each proposed labor category. The estimated labor cost (excluding FCCOM) for each proposed labor category shall be determined by multiplying the estimated number of direct labor hours (in whole numbers only) by the respective loaded labor rate. The "loaded labor rate" is the hourly rate set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements." Seller's estimated FCCOM on Seller's labor cost shall be the sum of the estimated FCCOM costs calculated for each proposed labor category. The estimated FCCOM for each proposed labor category shall be determined by multiplying the estimated number of direct labor hours (in whole numbers) by the respective FCCOM hourly rate set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements." The estimated fixed fee of each task order shall be the sum of the fixed fees calculated for each proposed cost base (labor, subcontracts and ODC). The fixed fee calculated for each proposed cost base shall be determined by multiplying the estimated cost (excluding FCCOM) by the respective fee rate set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements."

- c. Task Order Issuance. Each Buyer-issued task order will specify the following elements: (1) a description of the effort to be performed (Statement of Work (SOW)). The LOE task order SOW will describe the required work scope in general terms only; (2) a specified level-of-effort (LOE). The specified LOE will indicate the MINIMUM quantity of total direct labor hours to be expended by Seller, the direct labor categories to be utilized in performing the task order and other LOE definition, as applicable; (3) a task order period of performance (stated time period) specifying beginning and ending dates that Seller shall devote the specified LOE; (4) estimated costs, including AODC plus its associated indirect costs, FCCOM and fixed fee for the task order; the estimated cost (fully-burdened with G&A) will breakout total labor cost, subcontract cost (if applicable) and ODC (if applicable); fixed fee and FCCOM will be broken out by its respective cost base, (e.g., labor, subcontracts, ODC); (5) SDRL Item(s) or other deliverable data; (6) a statement that the task order is either fully-funded or incrementally-funded; if incrementally funded, the task order will include the allotted funding and estimated funding expiration date; and (7) any applicable Cost Account (CA) and/or Cost Charge Numbers (CCN).
- d. Task Order Acceptance. Within ten (10) calendar days of receipt of the task order, Seller shall submit a written notice of task order acceptance. Seller's written notice may be in the form of an e-mail, fax, or other appropriate means of written correspondence. Each task order and amendment thereto accepted by the Seller shall be deemed to be incorporated into this contract by reference. Failure of the Seller to provide written acceptance of the task order to the Buyer's authorized Procurement Agent shall be considered Seller's non-acceptance of the task order.
- e. Task Order Performance. Seller's acceptance of a task order obligates it to devote the specified level of effort for the stated period of time set forth by the task order subject to the provisions of the "Limitation of Cost" or "Limitation of Funds" clause, as applicable to the task order. Seller agrees to diligently perform the specified LOE and provide all required reports and other required deliverables within the stated period of performance and estimated cost of each task order. The Seller shall continually evaluate the specified LOE and recommend to the Buyer any changes which are beneficial in attaining the overall objectives of the task order. In expending the specified LOE, the Seller shall promptly notify the Buyer's authorized Procurement Agent, in writing, when there is an indication of premature exhaustion, or under-expenditure of specified LOE before the period of performance end-date (expiration date) of the task order.
- f. Trading Hours and Costs Between Direct Labor Cost Bases. Within the specified LOE limitations of the task order as applicable, during task order performance, the Seller may trade direct labor hours between specified direct labor categories to better achieve the task order objectives provided the minimum quantity of specified LOE hours are furnished and the total task order CPFF is not exceeded. The Seller shall promptly notify the Buyer's authorized Procurement Agent, in writing, when there is an indication of LOE cost underrun as a result of utilizing a cheaper labor mix than originally estimated. Upon such notification from the Seller, the Buyer may unilaterally direct the Seller to utilize a richer labor mix provided the task order CPFF is not exceeded.
- g. Under-Expended ODC, Material/Subcontract Costs. The Seller shall promptly notify the Buyer's authorized Procurement Agent, in writing, when there is an indication of under-expended (an underrun of) specified ODC, material and subcontract costs. Upon such notification from the Seller, the Buyer may unilaterally direct the Seller to convert under-expended ODC/subcontract/material costs to specified LOE costs by decreasing the specified task order ODC/subcontract/material costs and adding specified LOE hours/costs such that the net change does not increase the task order CPFF.
- h. Specified LOE Hours Shortfall. If the Seller cannot expend the specified LOE (minimum quantity of direct labor hours) required by the authorized task order without exceeding the estimated cost (e.g., Seller spends a richer labor mix than originally estimated), it shall submit a written cost overrun proposal to the Buyer's authorized Procurement Agent. The Seller shall not exceed the estimated cost established in the authorized task order unless it receives written notification increasing this estimated cost from the Buyer's authorized Procurement Agent. Any such increase in the estimated cost of the task order shall be considered a cost overrun and the fee for authorized task order shall not be changed as a result thereof.

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- i. Accelerated Performance/Early Completion. In the performance of the task order, Seller shall control fluctuations in expended LOE to avoid early exhaustion of specified effort and associated estimated cost before the specified period of performance end-date (expiration date) of the task order. Seller may however, submit a written request for acceleration of expenditure of LOE before the expiration date of the task order. If such request is approved by the Buyer's authorized Procurement Agent, the accelerated performance resulting in a revised task order expiration date shall be without increase in fee and the revised expiration date shall be formalized by task order amendment. Seller shall not prematurely expend task order LOE before the task order expiration date or incur task order expenses after the specified, period of performance end-date (expiration date) of the task order unless authorized in writing by the Buyer's authorized Procurement Agent.
- j. Recording of Each Task Order in Sections B and J. All definitive task order values (latest amended values only) shall be recorded in the table set forth in Section B for the CPFF task order CLIN. This "task order value" is the task order estimated cost, FCCOM and CPFF. In addition, each definitive task order number, task order amendment number and corresponding effectively date of the task order shall be listed in contract Section J.
- k. Task Order Funding. No task order shall be issued under this clause until sufficient funds are allotted to cover the work. Incremental funding of task order(s) shall be governed by provisions of the "Limitation of Funds" clause. The Limitation of Cost Clause (or Limitation of Funds Clause if the task order is incrementally funded) shall apply to each task order and not the accumulative costs (or funding) of each task order issued under this clause.
- l. Final Technical Report. Seller agrees to set aside a sufficient amount of funds from each task order to prepare and submit to Buyer a comprehensive final technical report (minimum of 500 words) at the end of the task order period of performance. If the Seller fails to set aside these funds and expends all the estimated costs provided by the task order before delivering the final technical report, the Seller agrees to provide this report at no additional cost to Buyer. If no final report is specified for a given task order, then this requirement is self-deleting for that task order.
- m. No Obligation to Issue Task Order. Buyer is not obligated to issue any task orders under this clause. The number and total dollar value of each task order issued under this clause is unlimited provided the SOW for each task order is within the general work scope of the "Task Order" clause defined in Section C.
- n. Contract/Task Order Period-of-Performance. In no event shall the period of performance of any task order extend beyond the overall period of performance of the CPFF task order CLIN specified in Section F.
- o. Unilateral Task Order Changes. Buyer is authorized to unilaterally change the SOW, period of performance or specified LOE of any authorized task order. As a result of issuing any such unilateral change by the Buyer's authorized Procurement Agent, the task order shall be subject to equitable adjustment pursuant to the provisions of the Change Order Clause. Any such equitable adjustment in task order CPFF shall utilize the fee rate(s) set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements."
- p. Task Order Payment. Buyer shall pay Seller its reimbursable costs pursuant to the "Allowable Cost and Payment" clause, and the task order fixed fee in accordance with the Section H clause entitled "CPFF Task Order Acceptance - Certification of Utilization of Hours," and the Section H clause entitled "Payment of Fixed Fee - CPFF Task Orders (LOE)."
- q. Financial Reporting. Seller shall report cost account data to Buyer for each task order in accordance with the financial reporting requirements specified elsewhere in this contract.

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H.18 CPFF TASK ORDER ACCEPTANCE - CERTIFICATION OF UTILIZATION OF HOURS (CLIN 0006 ONLY)

- a. Upon expiration of the task order, the Seller shall submit a "Certificate of Utilization of Hours" indicating that it has expended all hours (specified LOE) required by the task order. This certification shall be signed and dated by an individual who is authorized to commit the Seller. The Buyer shall have the right to examine the Seller's records for the purpose of verifying the number of utilized direct labor hours
- b. The Certification referred to above shall be submitted in essentially the following format:

CERTIFICATE OF UTILIZATION OF HOURS

I HEREBY CERTIFY THAT (Seller's name) UTILIZED A TOTAL OF _____ DIRECT LABOR HOURS CONSISTING OF THE SELLER'S LABOR CATEGORIES AND CONTRACT EFFORT SET FORTH IN TASK ORDER NO. _____ ISSUED UNDER CONTRACT NO. _____.

Date of Execution: _____
Signature: _____
Typed Name & Title: _____

- c. Within thirty (30) days after receipt of the "Certificate of Utilization of Hours" the Buyer shall indicate its acceptance or non-acceptance of this certificate and the task order effort.

H.19 AUTHORIZATION AND ADMINISTRATION OF CPFF COMPLETION TASK ORDERS (CLIN 0006 ONLY)

- a. Task Order Proposal Preparation. When requested by Buyer's authorized Procurement Agent, Seller shall prepare and submit a task order proposal. The task order proposal shall contain a detailed technical description of the effort to be performed under the task order, the number of direct labor hours proposed for each direct labor category, and all Additional Other Direct Costs (AODCs) and its associated indirect costs proposed for the proposed task order. A "direct labor hour" is defined as a hour of labor performed (or estimated to be performed) by direct charge personnel and expended (or estimated to be expended) in accomplishing the task order. In preparing the task order proposal, and for purposes of establishing a proposed total estimated cost, FCCOM and fixed fee, Seller shall use the hourly rates and fee factors set forth in the attachment listed in Section J entitled "CPFF Task Order Rates and Supporting Information Requirements." Seller shall also provide to Buyer with each task order proposal the support information set forth in this attachment. Upon receipt/evaluation of the task order proposal, Buyer's authorized Procurement Agent may issue a bilateral task order to Seller for Seller's acceptance. The task order will be serially numbered, dated and signed by the Buyer's authorized Procurement Agent.
- b. Estimated Task Order Costs/Calculations for Preparing Task Order Proposals. The estimated cost (fully-burdened with G&A, excluding FCCOM) of each task order shall be the sum of the following cost bases: labor cost, subcontract cost (if applicable) and ODC (if applicable). Seller's estimated labor cost (excluding FCCOM) shall be the sum of the estimated labor costs calculated for each proposed labor category. The estimated labor cost (excluding FCCOM) for each proposed labor category shall be determined by multiplying the estimated number of direct labor hours (in whole numbers only) by the respective loaded labor rate. The "loaded labor rate" is the hourly rate set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements." Seller's estimated FCCOM on Seller's labor cost shall be the sum of the estimated FCCOM costs calculated for each proposed labor category. The estimated FCCOM for each proposed labor category shall be determined by multiplying the estimated number of direct labor hours (in whole numbers) by the respective FCCOM hourly rate set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements." The estimated fixed fee of each task order shall be the sum of the fixed fees calculated for each proposed cost base (labor, subcontracts and ODC). The fixed fee calculated for each proposed cost base shall be determined by multiplying the estimated cost (excluding FCCOM) by the respective fee rate set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements."

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- c. Task Order Issuance. Each Buyer-issued task order will specify the following elements: (1) a description of the effort to be performed (Statement of Work (SOW)). The Completion-type task order SOW will describe the required work scope by stating a definite goal or target and by specifying an end-product; (2) a milestone schedule and/or delivery schedule; (3) a task order period of performance (stated time period) specifying beginning and ending dates that Seller shall perform and complete the task order; (4) estimated costs, including AODC plus its associated indirect costs, FCCOM and fixed fee for the task order; the estimated cost (fully-burdened with G&A) will breakout total labor cost, subcontract cost (if applicable) and ODC (if applicable); fixed fee and FCCOM will be broken out by its respective cost base, (e.g., labor, subcontracts, ODC); (5) SDRL Item(s), if applicable; (6) a statement that the task order is either fully-funded or incrementally-funded; if incrementally funded, the task order will include the allotted funding and estimated funding expiration date; and (7) any applicable Cost Account (CA) and/or Cost Charge Numbers (CCN).
- d. Task Order Acceptance. Within ten (10) calendar days of receipt of the task order, Seller shall submit a written notice of task order acceptance. Seller's written notice may be in the form of an e-mail, fax, or other appropriate means of written correspondence. Each task order and amendment thereto accepted by the Seller shall be deemed to be incorporated into this contract by reference. Failure of the Seller to provide written acceptance of the task order to the Buyer's authorized Procurement Agent shall be considered Seller's non-acceptance of the task order.
- e. Task Order Performance. Seller's acceptance of a task order obligates it to complete all the effort set forth by the task order subject to the provisions of the "Limitation of Cost" or "Limitation of Funds" clause, as applicable to the task order.
- f. Under-Expended ODC, Material/Subcontract Costs. The Seller shall promptly notify the Buyer's authorized Procurement Agent, in writing, when there is an indication of under-expended (an underrun of) specified ODC, material and subcontract costs. Upon such notification from the Seller, the Buyer may unilaterally direct the Seller to convert under-expended ODC/subcontract/material costs to additional work tasks by decreasing the specified task order ODC/subcontract/material costs and adding work tasks and associated additional costs such that the net change does not increase the task order CPFF.
- g. Unable to Complete Work. If the Seller cannot complete the definite work goals, targets and/or deliverables required by the authorized task order without exceeding the estimated cost, it shall submit a written cost overrun proposal to the Buyer's authorized Procurement Agent that successfully completes the task order. The Seller shall not exceed the estimated cost established in the authorized task order unless it receives written notification increasing this estimated cost from the Buyer's authorized Procurement Agent. Any such increase in the estimated cost of the task order shall be considered a cost overrun and the fee for authorized task order shall not be changed as a result thereof.
- h. Accelerated Performance/Early Completion. In the performance of the task order, Seller shall coordinate with Buyer any accelerated performance or early deliveries.
- i. Recording of Each Task Order in Sections B and J. All definitive task order values (latest amended values only) shall be recorded in the table set forth in Section B for the CPFF task order CLIN. This "task order value" is the task order estimated cost, FCCOM and CPFF. In addition, each definitive task order number, task order amendment number and corresponding effectively date of the task order shall be listed in contract Section J.
- j. Task Order Funding. No task order shall be issued under this clause until sufficient funds are allotted to cover the work. Incremental funding of task order(s) shall be governed by provisions of the "Limitation of Funds" clause. The Limitation of Cost Clause (or Limitation of Funds Clause if the task order is incrementally funded) shall apply to each task order and not the accumulative costs (or funding) of each task order issued under this clause.
- k. No Obligation to Issue Task Order. Buyer is not obligated to issue any task orders under this clause. The number and total dollar value of each task order issued under this clause is unlimited provided

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the SOW for each task order is within the general work scope of the "Task Order" clause defined in Section C.

- c. Contract/Task Order Period-of-Performance. In no event shall the period of performance of any task order extend beyond the overall period of performance of the CPFF task order CLIN specified in Section F.
- d. Unilateral Task Order Changes. Buyer is authorized to unilaterally change the SOW including goals/targets, period of performance, or delivery/performance schedule of any authorized task order. As a result of issuing any such unilateral change by the Buyer's authorized Procurement Agent, the task order shall be subject to equitable adjustment pursuant to the provisions of the Change Order Clause. Any such equitable adjustment in task order CPFF shall utilize the fee rate(s) set forth in the Section J attachment entitled "CPFF Task Order Rates and Supporting Information Requirements."
- e. Task Order Payment. Buyer shall pay Seller its reimbursable costs pursuant to the "Allowable Cost and Payment" clause, and the task order fixed fee in accordance with the Section H clause entitled "CPFF Task Order Acceptance -- Certification of Completion," and the Section H clause entitled "Payment of Fixed Fee - CPFF Task Orders (Completion)."
- f. Financial Reporting. Seller shall report cost account data to Buyer for each task order in accordance with the financial reporting requirements specified elsewhere in this contract.

H.20 CPFF TASK ORDER ACCEPTANCE - CERTIFICATION OF COMPLETION (CLIN 0006 ONLY)

- a. Upon completion of the authorized task order, the Seller shall submit a "Certificate of Completion" indicating that it has successfully completed the stated goals, targets and end-product deliveries of the Statement of Work required by the task order. This certification shall be signed and dated by an individual who is authorized to commit the Seller.
- b. The Certification referred to above shall be submitted in essentially the following format:

CERTIFICATE OF COMPLETION

I HEREBY CERTIFY THAT (Seller's name) COMPLETED ALL THE REQUIREMENTS SET FORTH IN TASK ORDER
NO. _____ ISSUED UNDER CONTRACT
NO. _____. I FURTHER CERTIFY THAT THE GOODS AND/OR SERVICES ARE THE QUALITY SPECIFIED AND ARE IN ALL RESPECTS IN COMPLIANCE WITH THE CONTRACT REQUIREMENTS, INCLUDING SPECIFICATIONS AND/OR DRAWINGS, PACKAGING, PACKING AND MARKING REQUIREMENTS AND IN THE QUALITY REQUIRED BY THE CONTRACT.

Date of Execution: _____
Signature: _____
Typed Name & Title: _____

- d. Within thirty (30) days after receipt of the "Certificate of Completion" the Buyer shall indicate its acceptance or non-acceptance of this certificate and the task order effort.

H.21 LOWER TIER SUBCONTRACTING

- a. The Seller shall identify Lower Tier Subcontracts or Purchase Orders issued to other consolidated business units of SAIC. SAIC consolidated business units are identified by the following names (DBA) and federal tax identification numbers:
 1. Science Applications International Corporation (SAIC) Tax ID - 95-3630868
 2. Hicks and Associates Tax ID- 54-1394778
 3. Telecordia Technologies, Inc. Tax ID- 22-2478398

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- b. Seller shall furnish to the Buyer the following information upon issuance of a subcontract or purchase order or modification of the same:
1. Subcontractor Issuing Subcontract or Purchase Order to SAIC:
 2. Subcontract/Purchase Order number Issued to SAIC and Value:
 3. SAIC Contact Name/Phone #:
- c. The Seller shall ensure the flow down of this provision to all lower tier subcontractors. Each lower tier Subcontractor is required to submit this information to the next level for consolidation.

H.22 ASSIGNMENT PROVISION

- a. Notwithstanding any other provisions herein, Boeing reserves the unilateral right to direct SAIC to assign to Boeing any or all of SAIC's subcontract with iRobot related to the Small Unmanned Ground Vehicle (SUGV). SAIC and iRobot hereby irrevocably waives any objection to such assignment, and agrees to promptly cooperate with Boeing to effect an assignment upon receipt of such direction from Boeing. SAIC and iRobot hereby agree that in the event Boeing directs such assignment to occur, all of iRobot's rights, obligations and duties under the assignment shall be for and/or inure to the benefit of Boeing. iRobot's sole recourse with respect to any such rights, duties and obligations shall be to Boeing, and SAIC thereafter shall have no responsibility or liability whatsoever arising under or relating to such assignment.

H.23 SPECIAL TERMINATION LIABILITY

- a. "SPECIAL TERMINATION COSTS," AS USED IN THIS CLAUSE, MEANS ONLY COSTS IN THE FOLLOWING CATEGORIES:

(1) SEVERANCE PAY:

(A) SEVERANCE PAY, ALSO COMMONLY REFERRED TO AS DISMISSAL WAGES, IS A PAYMENT IN ADDITION TO REGULAR SALARIES AND WAGES BY CONTRACTORS TO WORKERS WHOSE EMPLOYMENT IS BEING INVOLUNTARILY TERMINATED. PAYMENTS FOR EARLY RETIREMENT INCENTIVE PLANS ARE NOT COVERED IN THIS CLAUSE.

(B) SEVERANCE PAY TO BE ALLOWABLE MUST MEET THE GENERAL ALLOWABILITY CRITERIA IN PARAGRAPH (i) OF THIS SUBSECTION, AND, DEPENDING UPON WHETHER THE SEVERANCE IS NORMAL OR ABNORMAL, CRITERIA IN PARAGRAPH (ii) FOR NORMAL SEVERANCE PAY OR PARAGRAPH (iii) FOR ABNORMAL SEVERANCE PAY ALSO APPLY. IN ADDITION, PARAGRAPH (ii) OF THIS SUBSECTION APPLIES IF THE SEVERANCE COST IS FOR FOREIGN NATIONALS EMPLOYED OUTSIDE THE UNITED STATES.

(i) SEVERANCE PAY IS ALLOWABLE ONLY TO THE EXTENT THAT, IN EACH CASE, IT IS REQUIRED BY

(aa)LAW;

(bb)EMPLOYER-EMPLOYEE AGREEMENT;

(cc)ESTABLISHED POLICY THAT CONSTITUTES, IN EFFECT, AN IMPLIED AGREEMENT ON SELLER'S PART; OR

(dd)CIRCUMSTANCES OF THE PARTICULAR EMPLOYMENT

PAYMENTS MADE IN THE EVENT OF EMPLOYMENT WITH A REPLACEMENT CONTRACTOR WHERE CONTINUITY OF EMPLOYMENT WITH CREDIT FOR PRIOR LENGTH OF SERVICE IS PRESERVED UNDER SUBSTANTIALLY EQUAL CONDITIONS OF EMPLOYMENT, OR CONTINUED EMPLOYMENT BY SELLER AT ANOTHER FACILITY, SUBSIDIARY, AFFILIATE, OR PARENT COMPANY OF SELLER ARE NOT SEVERANCE PAY AND ARE UNALLOWABLE.

(ii) ACTUAL NORMAL TURNOVER SEVERANCE PAYMENTS SHALL BE ALLOCATED TO ALL WORK PERFORMED IN SELLER'S PLANT, OR IF SELLER PROVIDES FOR ACCRUAL OF PAY FOR NORMAL SEVERANCES, THAT METHOD WILL BE ACCEPTABLE IF THE AMOUNT OF THE ACCRUAL IS REASONABLE IN LIGHT OF PAYMENTS ACTUALLY MADE FOR NORMAL SEVERANCES OVER A REPRESENTATIVE PAST PERIOD AND IF AMOUNTS ACCRUED ARE ALLOCATED TO ALL WORK PERFORMED IN SELLER'S PLANT.

- (iii) Abnormal or mass severance pay is of such a conjectural nature that measurement of costs by means of an accrual will not achieve equity to Buyer and Seller. Thus, accruals for this purpose are not allowable. However, Buyer recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Thus, allowability will be considered on a case-by-case basis.
- (2) "Reasonable costs continuing after termination" - Despite all reasonable efforts by Seller, costs that cannot be discontinued immediately after the effective date of termination are generally allowable. However, any costs continuing after the effective date of the termination due to the negligent or willful failure of Seller to discontinue the costs shall be unallowable.
- (3) "Settlement of expenses" - Settlement expenses, including the following, are generally allowable:
- (A) Accounting, legal, clerical, and similar costs reasonably necessary for
- (i) The preparation and presentation, including supporting data, of settlement claims to Buyer; and
- (ii) The termination and settlement of subcontracts
- (B) Reasonable costs for the storage, transportation, protection, and disposition of property acquired or produced for this contract.
- (C) Indirect costs related to salary and wages incurred as settlement expenses in paragraphs (A) and (B); normally, such indirect costs shall be limited to payroll taxes, fringe benefits, occupancy costs, and immediate supervision costs. If settlement expenses are significant, a cost account or work order shall be established to separately identify and accumulate them.
- (4) Costs in paragraphs, a (1), (2), and (3) of this clause to which subcontractors may be entitled in the event of termination.
- b. Notwithstanding the Limitation of Cost/Limitation of Funds article of this contract, Seller shall not include in its estimate of costs incurred or to be incurred any amount for special termination costs to which Seller may be entitled in the event this contract is terminated.
- c. Seller agrees to perform this contract in such a manner that Seller's claim for special termination costs will not exceed the amounts specified below:

Army Fiscal Year*: (\$ in millions)	2004	2005	2006	2007	2008
Special Termination Liability:	\$ 400,000	\$1,250,000	\$1,500,000	\$1,425,000	\$1,050,000

Army Fiscal Year*: (\$ in millions)	2009	2010	2011	2012	2013
Special Termination Liability:	\$775,000	\$525,000	\$545,000	\$425,000	\$50,000

(*) Army Fiscal Year is October 1 through September 30.

- d. Buyer shall have no obligation to pay Seller any amount for special termination costs in excess of these amounts. Periodic negotiations and adjustments of these amounts reserved for special termination costs will be accomplished as requested by Buyer.
- e. In the event of termination, this clause shall not be construed as affecting the allow-ability of special termination costs in any manner other than limiting the maximum amount of the costs payable by Buyer.
- e. This clause shall remain in full force and effect until this contract, excluding task orders, is fully funded.

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The following are the General Provisions of this contract.

I.1 IDS COMMON TERMS AND CONDITIONS GUIDE

- a. All reference within the following Terms and Conditions to The Boeing Company or Buyer, shall be considered as SAIC for the purpose of this subcontract only and in no way sets a precedence for any other subcontracts Seller may currently have or enter into in the future with The Boeing Company or SAIC.
- b. The following contract clauses are incorporated by reference from the IDS Common Terms and Conditions Guide and apply to the extent indicated. These contract clauses can be accessed on the Internet via the following pathway:

Enter: "<http://www.boeing.com/companyoffices/doingbiz/sccommon/flash.html>"

Select: "terms and conditions", then the applicable "Section" to view the clause

Clause	Title	Date
GP4	The Boeing Company, General Provisions (Cost Reimbursement Contract Under Government Prime Contract) GP4	5/01/02
2003	Reporting of Discrepancies in Buyer Drawings	10/15/02
2005	Technical Direction (R&D)	10/15/02
2006	Right to Use Technical Information	10/15/02
2011	Surveillance and Written Technical Direction	10/15/02
3003	Seller Compliance with Occupational Safety & Health Act of 1970	10/15/02
3006	Audit Rights	10/15/02
3008	Buyer Audit Rights for Option Pricing of Follow-on Contracts	10/15/02
3009	Government - Furnished Property (GFP)	10/15/02
3010	Use of Government Production and Research Property (Industrial Facilities, Special Tooling, and Special Test Equipment)	10/15/02
3011	Limitation of Buyer's Obligation	10/15/02
3024	Special Tooling	10/15/02
3028	Rent-Free Use of Government Facilities Not Authorized	10/15/02
3032	Special Test Equipment - Title	10/15/02
3042	Buyer Furnished Property	10/15/02
3049	Prime Contract Flowdown Provisions	10/15/02
3068	Government Property Control	05/06/04

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4004	Additional General Provisions (Labor Hour/Time and Material Contract, Cost Reimbursement Contract Under Government Contract, Contract Labor)	10/15/02
5068	DAAE07-03-9-F001 Future Combat Systems (FCS) System Development and Demonstration (SDD) Agreement	7/15/03

c. Changes/Clarifications. The following changes and clarifications apply to the clauses listed in above Section I.1a:

- (1) Clause 2005. The Technical Representative referenced by this clause is named in Section G.9
- (2) Clause GP4 and the following Article(s):
 - a. Article 24 is deleted in its entirety and replaced with the following:

24. CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION AND ITEMS. Buyer and Seller shall each keep confidential and protect from unauthorized use and disclosure all (a) confidential, proprietary and/or trade secret information; (b) tangible items and software containing, conveying or embodying such information; and (c) tooling identified as being subject to this article and obtained, directly or indirectly, from the other in connection with this contract or other agreement referencing this contract (collectively referred to as a "Proprietary Information and Materials"). Buyer and Seller shall each use Proprietary Information and Materials of the other only in the performance of and for the purpose of this contract and/or any other agreement referencing this contract. However, despite any other obligations or restrictions imposed by this article, Buyer shall have the right to use, disclose and reproduce Seller's Proprietary Information and Materials, and make derivative works thereof, for the purposes of testing, certification, use, sale or support of any goods delivered under this contract or any other agreement referencing this contract. Any such use, disclosure, reproduction or derivative work by Buyer shall, whenever appropriate, include a restrictive legend suitable to the particular circumstances. The restrictions on disclosure or use of Proprietary Information and Materials by Seller shall apply to all materials derived by Seller or others from Proprietary Information and Materials provided by Buyer. Upon Buyer's request at any time, and in any event upon the completion, termination or cancellation of this contract, Seller shall return to Buyer all of Buyer's Proprietary Information and Materials and all materials derived there from, unless specifically directed otherwise in writing by Buyer. Seller shall not, without the prior written authorization of Buyer, sell or otherwise dispose of (as scrap or otherwise) any parts or other materials containing, conveying, embodying or made in accordance with or by reference to any Proprietary Information and Materials of Buyer. Prior to disposing of such parts or other materials as scrap, Seller shall render them unusable. Buyer shall have the right to audit Seller's compliance with this article. Seller may disclose Proprietary Information and Materials of Buyer to its subcontractors as required for the performance of this contract, provided that each such subcontractor first agrees in writing to the same obligations imposed upon Seller under this article relating to Proprietary Information and Materials. Seller shall be liable to Buyer for any breach of such obligation by such subcontractor. The provisions of this article are effective in lieu of any restrictive legends or notices applied to Proprietary Information and Materials. The provisions of this article shall survive the performance, completion, termination or cancellation of this contract.

(1) Clause 5068.

- a. Paragraph (a)(10)52.227-12 Patent Rights is deleted in its entirety:

(a)(10) 52.227-12 Patent Rights - Retention by the Contractor (Long Form) (JAN 1997). This clause applies only if this contract is for experimental, developmental, or research work and Seller is not a small business or nonprofit organization.
- b. Paragraph(c)Cost Accounting Standards, paragraphs (1) and (2) are deleted in their entirety:

(1) (Applicable if this contract incorporates clause 3050) The version of FAR 52.230-2, Cost Accounting Standards, incorporated by clause 3050 is the version dated April 1998.

(2)(Applicable if this contract incorporates clause 3051). The version of FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices, incorporated by clause 3051 is the version dated April 1998.

(2) Clause 3068

- a. Section H.1.b. is amended to add "SAIC" between "Boeing" and "U.S. Government"

I.2 ADDITIONAL FULL-TEXT PROVISIONS

The following additional full-text provisions apply to this contract:

None

END OF SECTION I

[SAIC (R) LOGO] SCIENCE APPLICATIONS
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(MARCH 31, 2005)

EXHIBIT/ ATTACH. # -----	DOCUMENT TITLE -----	DATE -----
J-11	List of Hazardous Materials to be delivered under this subcontract	Reserved
J-12	FCS SDD Program Plan Summary (Version 1.0X)	17 MAR 2005
J-13	Task Instructions	06 FEB, 2004
J-14	DARPA-CG-228 "Security Classification Guide, Objective Force-Future Combat Systems" (to be provided under separate cover)	28 MAR. 2003
J-15	CPFF Task Order Rates and Supporting Information Requirements	See Attached FPR Proposal Submittal
J-16	Contract Delivery/Performance Schedule	25 MAR 2005
J-17	Subcontractor Property Administration Requirements For Subcontractors Without An Approved System	08 OCT. 2003
J-18	Reserved	Reserved
J-19	FCS One Team (ADR) Alternate Dispute Resolution Memorandum of Agreement	Draft 04/12/04

END OF SECTION J
END OF CONTRACT

SOLICITATION, OFFER AND AWARD

1. THIS CONTRACT IS A RATED ORDER RATING _____
UNDER DPAS (15 CFR 700)

2. CONTRACT NO.
N00174-03-D-0003

3. SOLICITATION NO.
N00174-02-R-0032

4. TYPE OF SOLICITATION
[] SEALED BID (IFB)
[X] NEGOTIATED (RFP)

5. DATE ISSUED
08 May 2002

6. REQUISITION/PURCHASE NO. _____

7. ISSUED BY CODE N00174
NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA MADDOX 11431 MADDOXJD@IH.NAVY.MIL

INDIAN HEAD, MD 20640-5035

8. ADDRESS OFFER TO (If other than Item 7) CODE _____
SEE ITEM 7

NOTE: In sealed bid solicitations "offer" and "offeror" mean "bid" and "bidder"
SOLICITATION

9. Sealed offers in original and 2 copies for furnishing the supplies or services in the Schedule will be received at the place specified in Item 8, or if handcarried, in the depository located in Bldg. 1558 until 1500 local time 06 Jun 2002

(Hour) (Date)

CAUTION - LATE Submissions, Modifications, and Withdrawals: See Section L, Provision No. 52.214-7 or 52.215-1. All offers are subject to all terms and conditions contained in this solicitation.

10. FOR INFORMATION CALL:

A. NAME
JESSICA D. MADDOX

B. TELEPHONE (Include area code) (NO COLLECT CALLS)
301/744-6614

C. E-MAIL ADDRESS
maddoxjd@ih.navy.mil

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- L INSTRS., CONDS., AND NOTICES TO OFFERORS
- M EVALUATION FACTORS FOR AWARD

OFFER (MUST BE FULLY COMPLETED BY OFFEROR)

NOTE: Item 12 does not apply if the solicitation includes the provisions at 52.214-16, Minimum Bid Acceptance Period.

12. In compliance with the above, the undersigned agrees, if this offer is accepted within _____ calendar days (60 calendar days unless a different period is inserted by the offeror) from the date for receipt of offers specified above, to furnish any or all items upon which prices are offered at the price set opposite each item, delivered at the designated point(s), within the time specified in the schedule.

13. DISCOUNT FOR PROMPT PAYMENT
(See Section I, Clause No. 52.232-8)

14. ACKNOWLEDGMENT OF AMENDMENTS
(The offeror acknowledges receipt of amendments to the SOLICITATION for offerors and related documents numbered and dated):

AMENDMENT NO.	DATE	AMENDMENT NO.	DATE
_____	_____	_____	_____
_____	_____	_____	_____

15A. NAME AND ADDRESS OF OFFEROR CODE 1BNT3 FACILITY _____

IROBOT CORP
DUNS #604499194
37 WILTON ROAD
MILFORD NH 03055

15B. TELEPHONE NO (Include area code)

603/654-3400

[] 15C. CHECK IF REMITTANCE ADDRESS IS DIFFERENT FROM ABOVE - ENTER SUCH ADDRESS IN SCHEDULE.

16. NAME AND TITLE OF PERSON AUTHORIZED TO SIGN OFFER (Type or print)

GRINNELL MORE

17. SIGNATURE _____

18. OFFER DATE _____

AWARD (TO BE COMPLETED BY GOVERNMENT)

19. ACCEPTED AS TO ITEMS NUMBERED

0001 through 0025

20. AMOUNT

\$27,878,792.00

21. ACCOUNTING AND APPROPRIATION

22. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:

[] 10 U.S.C. 2304(c)() [] 41 U.S.C. 253(c)()

23. SUBMIT INVOICES TO ADDRESS SHOWN IN ITEM _____

(4 copies unless otherwise specified)

24. ADMINISTERED BY (If other than Item 7) CODE S3319A

DCMC BOSTON-MANCHESTER
2 WALL STREET
MANCHESTER, NH 03101-1518

25. PAYMENT WILL BE MADE BY CODE HQ0337

DFAS-COLUMBUS CENTER
NORTH ENTITLEMENT OPERATIONS P O BOX 182266
COLUMBUS, OH 43218-2266

26. NAME OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN

27. UNITED STATES OF AMERICA

/s/ Renee M. Brown

(Signature of Contracting Officer)

28. AWARD DATE

10/29/02

IMPORTANT - Award will be made on this Form, or on Standard Form 26, or by other authorized official written notice.

Previous Edition is Unusable 33-134

STANDARD FORM 33 (REV. 9-97)
Prescribed by GSA
FAR(48CFR)53.214(c)

NAME OF OFFEROR OR CONTRACTOR
IROBOT CORP

SECTION B Supplies or Services and Prices

PHASE I - PSVM
GUARANTEED MINIMUM

Under Phase I, a firm fixed price order will be issued for CLINs 0001 through 0009. Testing will be performed to validate the system against the Performance Specification. The ordering period for Phase I shall be from date of award until six (6) months after date of contract (ADC).

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0001	Performance Specification Verification Models (PSVM) in accordance with the Statement of Work and Performance Specification.	2.00	Each	\$89,400.00	\$178,800.00

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0002	Post Award Conference in accordance with paragraph 2.2.2.1 of the Statement of Work.		Lot	NSP	NSP

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0003	Project Reviews in accordance with paragraph 2.2.2.2 of the Statement of Work.		Lot	NSP	NSP

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0004	Monthly Status Reports in accordance with paragraph 2.2.3 of the Statement of Work.	1.00	Lot	\$10,500.00	\$ 10,500.00

NSN 7540-01-152-8057	50336-101			OPTIONAL FORM 336A (4-86) Sponsored by GSA FAR (48 CFR) 53.110	
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NAME OF OFFEROR OR CONTRACTOR
 IROBOT CORP

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0005	Safety Assessment Report in accordance with paragraph 2.2.4 of the Statement of Work and MIL-STD-882D.	1.00	Lot	\$16,000.00	\$ 16,000.00

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0006	Lithium Batteries Technical Data in accordance with paragraph 2.2.5 of the Statement of Work and the Performance Specification.	1.00	Lot	N/A	N/A

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0007	Operation and Maintenance Source Data in accordance with paragraph 2.2.6 of the Statement of Work.	1.00	Lot	\$11,520.00	\$ 11,520.00

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0008	Training in accordance with paragraph 2.2.7.1 of the Statement of Work.	1.00	Lot	\$ 3,600.00	\$ 3,600.00

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0009	Engineering Services in accordance with paragraph 2.2.7.2 of the Statement of Work.	1.00	Lot	\$100,000.00	\$100,000.00 (NTE \$100,000.00)

NSN 7540-01-152-8057 50336-101 OPTIONAL FORM 336A (4-86)
 Sponsored by GSA
 FAR (48 CFR) 53.110

NAME OF OFFEROR OR CONTRACTOR
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PHASE II - PRM

During Phase I, the Government is going to test the PSVMs to the Performance Specification for conformance. There may be some minor modifications that will be requested by the Government. The purpose of Phase II is to incorporate those changes. The contractor(s) will receive a Request for Quotation identifying the minor modifications that need to be made. Once the price has been determined reasonable, the Government will issue a fixed price order(s). The Government will utilize the Not to Exceed CLIN 0012 for the modifications. If the Government does not want change from Phase I, then Phase II will not be funded. It is also possible that Phase II will only be funded for one(1) contractor. Phase II includes CLINs 0011 through 0016 and the ordering period for Phase II shall be from eighteen (18) months after date of contract (ADC) through twenty-four (24) months ADC.

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0010	Production Representative Models (PRM) in accordance with paragraph 2.3.1 of the Statement of Work and the updated (if necessary) Performance Specification.	2.00	Each	\$93,500.00	\$187,000.00

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0011	Minor Modifications in accordance with the Request for Quotation.	1.00	Lot	\$20,000.00	\$20,000.00 (NTE \$20,000.00)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0012	Project Reviews in accordance with paragraph 2.2.2.3 of the Statement of Work.		Lot	NSP	NSP

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0013	Monthly Status Reports in accordance with paragraph 2.3.4 of the Statement of Work.	1.00	Lot	\$ 6,000.00	\$ 6,000.00

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ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0014	Initial Spares List in accordance with paragraph 2.3.2 of the Statement of Work.	1.00	Lot	\$11,622.00	\$11,622.00

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0015	Engineering Services in accordance with paragraph 2.3.3 of the Statement of Work.	1.00	Lot	\$25,000.00	\$25,000.00 (NTE \$25,000.00)

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PHASE III - PRODUCTION

Phase III is for production. Only one contractor will be funded for the Production phase. At contract award, the contractor shall provide an estimated unit price. Prior to entering into Phase III, the Government will issue a Request for Proposal (RFP) to the contractor(s). The RFP will request the contractor to provide their final production unit costs based on the final system configuration agreed upon in Phase II or Phase I should the Government decide not to fund Phase II. The offeror who offers the lowest unit price will be funded for the production phase. Phase III includes CLINs 0017 through 0025 and the ordering period for Phase III shall be from twenty-eight (28) months after date of contract (ADC) through ten (10) years ADC.

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0016	Production Systems in accordance with paragraph 2.4.1 of the Statement of Work and the updated (if necessary) Performance Specification.	250.00	Each		\$ 22,168,750.00*

STEPLADDER PRICING

FROM QUANTITY	TO QUANTITY	UNIT PRICE
1.00	50.00	\$88,675.00
51.00	100.00	\$85,720.80
101.00	150.00	\$74,519.50
151.00	200.00	\$71,714.00
201.00	250.00	\$64,795.50

* The amount displayed in the "Max Amount" column should be the total of 250 units x the highest unit price in the stepladder pricing.

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0017	Standard Commercial Warranty in accordance with paragraph 2.5.1 of the Statement of Work.		Lot	NSP	NSP

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ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0018	Initial Spares in accordance with paragraph 2.4.2 of the Statement of Work.	1.00	Lot	\$787,500.00	\$787,500.00 (NTE \$787,500.00)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0019	Chemical Detection Mission Package in accordance with paragraph 2.4.3.1 of the Statement of Work.	1.00	Lot	\$200,000.00	\$200,000.00 (NTE \$200,000.00)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0020	Nuclear Detection Mission Package in accordance with paragraph 2.4.3.2 of the Statement of Work.	1.00	Lot	\$200,000.00	\$200,000.00 (NTE \$200,000.00)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0021	Render Safe Mission Package in accordance with paragraph 2.4.3.3 of the Statement of Work.	1.00	Lot	\$200,000.00	\$200,000.00 (NTE \$200,000.00)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0022	Disruption Mission Package in accordance with paragraph 2.4.3.4 of the Statement of Work.	1.00	Lot	\$200,000.00	\$200,000.00 (NTE \$200,000.00)

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ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0023	Disposal Mission Package in accordance with paragraph 2.4.3.5 of the Statement of Work.	1.00	Lot	\$200,000.00	\$200,000.00 (NTE \$200,000.00)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0024	Depot Repair Services in accordance with paragraph 2.5.2 of the Statement of Work.	1.00	Lot	\$1,676,250.00	\$1,676,250.00 (NTE \$1,676,250)

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0025	Repair Parts in accordance with paragraph 2.5.3 of the Statement of Work.	1.00	Lot	\$1,676,250.00	\$1,676,250.00 (NTE \$1,676,250)

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PHASE III - PRODUCTION

Phase III is for production. Only one contractor will be funded for the Production phase. At contract award, the contractor shall provide an estimated unit price. Prior to entering into Phase III, the Government will issue a Request for Proposal (RFP) to the contractor(s). The RFP will request the contractor to provide their final production unit costs based on the final system configuration agreed upon in Phase II or Phase I should the Government decide not to fund Phase II. The offeror who offers the lowest unit price will be funded for the production phase. Phase III includes CLINs 0017 through 0025 and the ordering period for Phase III shall be from twenty-eight (28) months after date of contract (ADC) through ten (10) years ADC.

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ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0016	Production Systems in accordance with paragraph 2.4. 1 of the Statement of Work and the updated (if necessary) Performance Specification.	250.00	Each		\$22,168,750.00*

STEPLADDER PRICING

FROM QUANTITY	TO QUANTITY	UNIT PRICE
1.00	50.00	\$88,675.00
51.00	100.00	\$85,720.80
101.00	150.00	\$74,519.50
151.00	200.00	\$71,714.00
201.00	250.00	\$64,795.50

*The amount displayed in the "Max Amount" column should be the total of 250 units x the highest unit price in the stepladder pricing.

SEA B-23 - EXPEDITING CONTRACT CLOSEOUT (NAVSEA) (DEC 1995)

(a) As part of the negotiated fixed price or total estimated amount of this contract, both the Government and the Contractor have agreed to waive any entitlement that otherwise might accrue to either party in any residual dollar amount of \$500 or less at the time of final contract closeout. The term "residual dollar amount" shall include all money that would otherwise be owed to either party at the end of the contract, except that, amounts connected in any way with taxation, allegations of fraud and/or antitrust violations shall be excluded. For purposes of determining residual dollar amounts, offsets of money owed by one party against money that would otherwise be paid by that party may be considered to the extent permitted by law.

(b) This agreement to waive entitlement to residual dollar amounts has been considered by both parties. It is agreed that the administrative costs for either party associated with collecting such small dollar amounts could exceed the amount to be recovered.

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SECTION C Descriptions and Specifications

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STATEMENT OF WORK
MAN TRANSPORTABLE ROBOTIC SYSTEM

1.0 SCOPE

This statement of work (SOW) describes the contractor's tasks required for the modified commercial item acquisition and support of a Man Transportable Robotic System (MTRS).

1.1 BACKGROUND

The MTRS will provide the military Explosive Ordnance Disposal (EOD) technician with a man transportable capability to remotely perform reconnaissance during extremely hazardous EOD missions involving unexploded ordnance (UXO) and improvised explosive devices (IEDs). The MTRS will be able to operate in both urban and rural environments. The MTRS will be a modular system that will allow interoperability with future mission packages such as chemical and nuclear detectors, EOD render safe tools, EOD disruption tools, and EOD disposal tools. The system architecture (hardware and software) of the MTRS will be inherently expandable and inherently upgradeable to allow for future enhancements.

2.0 REQUIREMENTS

2.1 GENERAL

The contractor shall deliver two MTRS performance specification verification models (PSVM 1 and PSVM 2) to the Government that are in compliance with the performance specification (Appendix A). The compliance of the PSVMs with the performance specification will be verified through testing and analysis that will be performed by the Government. The performance specification constitutes the system functional/performance baseline for the MTRS. The performance specification may be updated, as necessary, based on the results of the Government's testing and analysis of the PSVMs. The Government may purchase two production representative models (PRM 1 and PRM 2) that conform to the updated performance specification. Any changes to the MTRS due to the updating of the performance specification shall be subject to the changes clause of the contract. The PRMs will undergo final testing to be performed by the Government prior to a Production Approval decision. Following a successful Production Approval decision, the Government may purchase up to 250 production units, initial spares, and post-production support.

2.2 PERFORMANCE SPECIFICATION VERIFICATION MODELS PHASE

2.2.1 PERFORMANCE SPECIFICATION VERIFICATION MODELS. The contractor shall deliver two MTRS PSVMs that are in compliance with the performance specification.

2.2.2 REVIEWS

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2.2.2.1 POST AWARD GUIDANCE CONFERENCE. The contractor shall attend a Post Award Guidance Conference to be hosted by the Government at the NAVEODTECHDIV no later than 15 days after contract award.

2.2.2.2 PROJECT REVIEWS. The contractor shall schedule and host at least two project reviews prior to the delivery of PSVM 1 and PSVM 2. The purpose of the project reviews is to update the Government on project progress and issues. There will be no changes made to the requirements at these reviews. Any changes in the requirements will be processed by the Contracts Division at NAVSEA Indian Head and the contractor(s) shall take no action until receipt of a properly executed modification. If the Government decides to purchase the PRMs, the contractor shall schedule and host at least one project review prior to the delivery of the PRMs.

2.2.3 STATUS REPORT. The contractor shall prepare monthly status reports. The reports shall contain the following main sections: Summary; Accomplishments; Current Status; Problem Areas; Risks and Mitigation; and, Future Plans. The inclusion of financial data is not required. The reporting period consists of the entire PSVM phase, which is estimated at 21 months. The first monthly report is due 45 days after contract award.

2.2.4 SAFETY ASSESSMENT REPORT. The contractor shall prepare a Safety Assessment Report (SAR). The SAR shall be a comprehensive evaluation of the mishap risks associated with identified MTRS hazards. Identified hazards shall include any procedural hazards that may be present. The assessment of mishap risk shall include the characterization of mishap risks by mishap severity and mishap probability. Mishaps may result from personnel error, environmental conditions, design inadequacies, procedural deficiencies, or system, subsystem, or component failure or malfunction. The SAR shall identify all safety features of the hardware, software, and system design that eliminate identified hazards or reduce the combination of a potential mishap's severity and probability to an acceptable level. MIL-STD-882D, Standard Practice for System Safety, methodology should be used.

The MTRS firing circuit shall receive special emphasis in the SAR. Mishaps involving the firing circuit have a reasonable potential to result in the death of personnel. The SAR shall include a failure mode analysis of the firing circuit that identifies how the firing circuit may fail and the impact of each failure mode on personnel safety. Failure modes analyzed shall include those involving hardware, electronics, software, and procedures (including combinations thereof).

The contractor shall deliver a draft report no later than 120 days after contract award. The Government will review the draft and provide comments within 30 days. The contractor shall deliver the final report within 30 days of receipt of the Government's comments.

2.2.5 LITHIUM BATTERY SYSTEM TECHNICAL DATA. The contractor shall provide a technical data package for any lithium battery systems (including charger) that are to be used in the MTRS. The contractor shall deliver the data no later than 30 days after contract award.

2.2.6 OPERATION & MAINTENANCE SOURCE DATA. The contractor shall provide Operation & Maintenance (O&M) source data to the Government in electronic form (compatible with Microsoft Office and, where applicable, the Drawing Exchange Format (DXF)). The source data will be used by the Government to develop EOD unique technical manuals for the MTRS. The source data shall contain the necessary documentation (including drawings) for the operation and maintenance of the MTRS. The documentation shall include:

- Description of assemblies, subassemblies, and component parts with purpose and function
- Detailed instructions on assembling, operating, and disassembling the system
- Safety information (including hazardous materials)
- Preventive maintenance procedures (including inspection requirements) describing periodic measures to ensure the MTRS remains in good working condition

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- Comprehensive detailed and unambiguous step-by-step troubleshooting and repair procedures appropriate for the organizational (field) level
- List of all components that are deemed to be cost-effective to repair at the depot level
- All information necessary to procure repair parts and consumables
- Estimated replacement factors for major components (e.g. replace component "X" after 200 hours)
- Detailed operation and maintenance training course curriculum

The contractor shall deliver the data with the PSVMs.

2.2.7 TECHNICAL SUPPORT

2.2.7.1 TRAINING. The contractor shall provide training for the operation and maintenance of the MTRS for Government personnel immediately after the delivery of the PSVMs. The training shall be conducted at a Government location in the Southern Maryland area, for no more than six personnel, for no more than three days.

2.2.7.2 ENGINEERING SERVICES. The contractor shall provide engineering services on an as needed basis for a period of up to 12 months, commencing immediately upon delivery of the PSVMs. Engineering services shall include any labor, repair parts, and other items necessary to keep the PSVMs fully operational. Engineering services shall also include failure analysis and reporting.

2.3 PRODUCTION REPRESENTATIVE MODELS PHASE

2.3.1 PRODUCTION REPRESENTATIVE MODELS. If ordered by the Government, the contractor shall deliver two MTRS PRMs that conform to the updated (if necessary) performance specification.

2.3.2 INITIAL SPARES LIST. If ordered by the Government, the contractor shall deliver a recommended list of initial spares for the MTRS. The contractor shall deliver the list with the PRMs.

2.3.3 ENGINEERING SERVICES. If ordered by the Government, the contractor shall provide engineering services on an as needed basis for a period of up to 9 months, commencing immediately upon delivery of the PRMs. Engineering services shall include any labor, repair parts, and other items necessary to keep the PRMs fully operational. Engineering services shall also include failure analysis and reporting.

2.3.4 STATUS REPORT. If ordered by the Government, the contractor shall prepare monthly status reports. The reports shall contain the following main sections: Summary; Accomplishments; Current Status; Problem Areas; Risks and Mitigation; and, Future Plans. The inclusion of financial data is not required. The reporting period consists of the entire PRM phase, which is estimated at 12 months. The first monthly report is due 30 days after the Government orders the PRMs.

2.4 PRODUCTION PHASE

2.4.1 PRODUCTION SYSTEMS. If ordered by the Government, the contractor shall deliver up to 250 production systems after a successful Production Approval decision.

2.4.2 INITIAL SPARES. If ordered by the Government, the contractor shall deliver initial spares with the production systems as required. (Initial spares will be ordered separately from the production systems.)

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2.4.3 ENGINEERING ENHANCEMENTS. After a successful Production Approval decision the Government may elect to have the contractor pursue the following MTRS engineering enhancements during the production window of the contract.

2.4.3.1 CHEMICAL DETECTION MISSION PACKAGE. The contractor shall perform the analysis, design, prototyping, testing, and documentation necessary to produce a chemical detection mission package that is modular with respect to the MTRS. Any changes to the MTRS that are necessary to accommodate the chemical detection mission package shall be capable of being accomplished in the field by EOD personnel. The specific chemical detector to be used will be determined by the Government.

2.4.3.2 NUCLEAR DETECTION MISSION PACKAGE. The contractor shall perform the analysis, design, prototyping, testing, and documentation necessary to produce a nuclear detection mission package that is modular with respect to the MTRS. Any changes to the MTRS that are necessary to accommodate the nuclear detection mission package shall be capable of being accomplished in the field by EOD personnel. The specific nuclear detector to be used will be determined by the Government.

2.4.3.3 RENDER SAFE MISSION PACKAGES. The contractor shall perform the analysis, design, prototyping, testing, and documentation necessary to produce render safe mission packages that are modular with respect to the MTRS. Any changes to the MTRS that are necessary to accommodate the render safe mission packages shall be capable of being accomplished in the field by EOD personnel. The specific EOD render safe tools to be used will be determined by the Government.

2.4.3.4 DISRUPTION MISSION PACKAGES. The contractor shall perform the analysis, design, prototyping, testing, and documentation necessary to produce disruption mission packages that are modular with respect to the MTRS. Any changes to the MTRS that are necessary to accommodate the disruption mission packages shall be capable of being accomplished in the field by EOD personnel. The specific EOD disruption tools to be used will be determined by the Government.

2.4.3.5 DISPOSAL MISSION PACKAGES. The contractor shall perform the analysis, design, prototyping, testing, and documentation necessary to produce disposal mission packages that are modular with respect to the MTRS. Any changes to the MTRS that are necessary to accommodate the disposal mission packages shall be capable of being accomplished in the field by EOD personnel. The specific EOD disposal tools to be used will be determined by the Government.

2.5 POST-PRODUCTION SUPPORT PHASE

The contractor shall provide post-production support for the life (estimated to be 12 years) of each delivered production system.

2.5.1 WARRANTY. Each production system shall be covered by the contractor's standard commercial warranty.

2.5.2 DEPOT REPAIR. The contractor shall provide depot repair services in accordance with their commercial practices.

2.5.3 REPAIR PARTS. The contractor shall provide for the timely and adequate provisioning of repair parts in accordance with their commercial practices.

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2.5.4 TROUBLESHOOTING ASSISTANCE. The contractor shall provide troubleshooting assistance to field activities in accordance with their commercial practices.

2.5.5 CONFIGURATION MANAGEMENT. The contractor shall manage the configuration (including hardware and software) of the MTRS, including the implementation of changes and upgrades, throughout the life of the MTRS in accordance with their commercial practices.

2.6 DOCUMENTATION/DATA RIGHTS.

In the event of the demise of the contractor, the contractor shall make available to the Government the documentation/data rights necessary to support and procure the MTRS.

3.0 DATA REQUIREMENTS

The following is a list of the required data that shall be delivered.

SOW PARAGRAPH	DATA	DELIVERY DATE
2.2.3	Monthly Status Reports (PSVM Phase)	First submission 45 days after contract award
2.2.4	Safety Assessment Report	Draft 120 days after contract award; Final 30 days after receipt of comments from Government
2.2.5	Lithium Battery System Technical Data (if lithium batteries are used)	30 days after contract award
2.2.6	Operation & Maintenance Source Data	With delivery of PSVMs
2.3.2	Initial Spares List	With delivery of PRMs
2.3.4	Monthly Status Reports (PRM Phase)	First submission 30 days after order of PRMs
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SEA C-19 - CONFIGURATION MANAGEMENT (NAVSEA) (JUN 1999)

(a) Baseline Definition - For configuration control purposes, all contractual documentation in effect at the time of contract award shall constitute the Contract Baseline which shall be considered incorporated in the baseline documentation.

(b) General Requirement - (1) The Contractor shall maintain a Configuration Control Program to assure that all detail level work being performed under this contract is in compliance with appropriate baseline documentation. The Contractor shall prepare a Configuration Management Plan for approval by the Government.

(2) Whenever a situation arises wherein the Contractor cannot comply with a baseline document, or whenever intent of such documentation is significantly changed by detail level documentation, the Contractor shall submit change documents to modify baseline documents to resolve the conflict or to allow non-compliance. Whenever the cost of implementing a proposed change is less than \$500,000, the Contractor shall provide documentation explaining the nature of related costs as shown on the change document. Whenever the contract cost changes by more than \$500,000, the Contractor shall complete such cost and pricing data as the Contracting Officer shall require detailing all related costs, and attach it to the change document. Change documentation shall be submitted to the Supervisor in accordance with the Contract Data Requirements List (CDRL), and as described in paragraphs (c) through (f) below.

Engineering Change Proposals (Short Form, DP Form 1693) - MIL-STD-973 shall be used as general guidance for completing this standard form. This form shall be used whenever the detail level physical configuration, material quality, operational or functional performance of equipment or installed systems will not be in compliance with baseline design-related documents (Ship Specifications, Contract Drawings, etc.), and a change to the baseline document is considered an appropriate means of resolving a design-related issue. Documentation shall be developed in sufficient detail to enable Government review and evaluation of the merits of the proposed change, including cost and scheduling impact, ship class impact, and consequences if disapproved. Due to space limitations of the Standard DD Form 1693, the Contractor may use form continuation sheets to assure that sufficient detailed information, including appropriate illustrations, is provided. All existing drawings and technical manuals impacted by the change shall be listed along with a brief narrative explanation of needed changes to incorporate the Engineering Change Proposal (ECP) if approved. Weight and moment data incidental to the change shall be provided in Block 15 of the form. The Contractor shall also prepare applicable baseline document insert sheets, with specific word changes or proposed re-write, to facilitate baseline documentation changes.

(d) Non-Engineering Change Proposals (NAVSEA Form 4130) - This form shall be used to document administrative, procedural, scheduling, or documentation changes that do not directly impact the physical configuration of the ship. The completed Form 4130 should explain the nature of the problem, identify the applicable baseline document (i.e., Contract Data Requirement List (CDRL), Contract Clause, etc.) and provide a detailed explanation justifying the proposed course of action desired to resolve the problem. Due to the space limitation on the form, continuation sheets may be used. Insert sheets for applicable documents shall also be attached to facilitate change action in the event the Non-Engineering Change Proposal (NECP) is approved.

(e) Deviations and Waivers (DD Form 1694) - In the event that a baseline design-related document requirement cannot be met, and a change to the baseline document is considered inappropriate, the Contractor shall submit a request for deviation or waiver, as applicable. The explanation of "need for deviation" of Block 24 should provide detailed justification and consequences of approval, to include technical details explaining the degree of non-compliance or effect on ship equipment or system operation constraints. In a similar manner, a waiver shall

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document an "as built" configuration that departs from baseline documentation, and should include any proposed corrections or modifications to better meet the intent of the baseline document. MIL-STD-973 provides guidance in completing DD Form 1694.

(f) Equitable Adjustments for Change Documentation Preparations - For its effort expended in preparing ECPs, NECPs, Deviations and Waivers, the Contractor shall receive equitable adjustment under the following circumstances.

(1) In the event the Contractor, on its own initiative, and without written request from the Government, develops a change document that is later disapproved by the Government, the Contractor shall bear the cost of this effort.

(2) To avoid such loss, and at its option, the Contractor may submit a "preliminary" document that outlines intent, but without detailed supporting documentation and request the Supervisor's approval for expenditure of effort to complete the detailed supporting documentation. In the event the Supervisor denies this request, the Contractor will bear the cost of development of the "preliminary" document, and shall make no further effort to complete detailed supporting documentation.

(3) In the event the Supervisor approves the Contractor's request to develop supporting documentation, the Contractor shall be equitably compensated for its effort for both the "preliminary" and "final" documentation, regardless of whether or not the change document is later approved.

(4) In the event the Government requests in writing that the Contractor develop change documentation, the effort expended by the Contractor in developing such documentation shall be subject to equitable adjustment, regardless of whether or not the change document is later approved.

(5) In the event the Contractor, on its own initiative, and without written request from the Government, develops a change document that is later approved by the Government, the cost of developing such documentation shall be incorporated in the contract modification that implements the change.

(6) Failure to agree to such equitable adjustment in contract price shall constitute a dispute, and shall be adjudicated in accordance with the requirements of the clause entitled "DISPUTES" (FAR 52.233-1).

(g) The Contractor shall verify (by physical inspection of the vessel) to the Government, that all Field Modification Requests (FMRs) and Headquarters Modification Requests (HMRs) (including Government responsible items) have been incorporated into the vessel. Verification shall include:

(1) List of all HMRs and FMRs authorized to date.

(2) List of those HMRs and FMRs verified to be complete.

(3) List of those HMRs and FMRs which are partially complete or not started with scheduled date for their completion.

(h) Any cost reduction proposal submitted pursuant to the clause entitled "VALUE ENGINEERING" (FAR 52.248-1) shall be submitted as a Code V Engineering Change Proposal (VECP) on the DD Form 1693 series and shall be supplemented by the information required by the "VALUE ENGINEERING" clause.

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SEA C-20 - ASSIGNMENT AND USE OF NATIONAL STOCK NUMBERS (NAVSEA) (MAY 1993)

To the extent that National Stock Numbers (NSNs) or preliminary NSNs are assigned by the Government for the identification of parts, pieces, items, subassemblies or assemblies to be furnished under this contract, the Contractor shall use such NSNs or preliminary NSNs in the preparation of provisioning lists, package labels, packing lists, shipping containers and shipping documents as required by applicable specifications, standards or Data item Descriptions of the contract or as required by orders for spare and repair parts. The cognizant Government Contract Administration Office shall be responsible for providing the Contractor such NSNs or preliminary NSNs which may be assigned and which are not already in possession of the Contractor.

SEA C-22 - CONTRACTOR'S PROPOSAL (NAVSEA) (SEP 1990)

(a) Performance of this contract by the Contractor shall be conducted and performed in accordance with detailed obligations to which the Contractor committed itself in Proposal MTRS dated 06 June 2002 and 10 September 2002 in response to NAVSEA Solicitation No. N00147-02-R-0032.

(b) The technical volume(s) of the Contractor's proposal is incorporated by reference and hereby made subject to the provisions of the "ORDER OF PRECEDENCE" (FAR 52.215-8) clause of this contract. Under the "ORDER OF PRECEDENCE" clause, the technical volume of the Contractor's proposal referenced herein is hereby designated as item (f) of the clause, following "the specifications" in the order of precedence.

SEA C-35 - PERMITS AND RESPONSIBILITIES (NAVSEA) (SEP 1990)

The Contractor shall, without additional expense to the Government, be responsible for obtaining any necessary licenses and permits, and for complying with any applicable Federal, State, and Municipal laws, codes, and regulations, in connection with any movement over the public highways of overweight/over dimensional materials.

SEA C-77 - LIMITATION OF LIABILITY - HIGH VALUE ITEMS (NAVSEA) (JUN 1992)

The following items are subject to the clause of this contract entitled "LIMITATION OF LIABILITY--HIGH VALUE ITEMS" (FAR 52.246-24): CLINs 0001, 0010, and 0016.

SEA C-85 - EXTENSION OF COMMERCIAL WARRANTY (NAVSEA) (NOV 1996)

The Contractor shall extend to the Government the full coverage of any standard commercial warranty normally offered in a similar commercial sale, provided that such warranty is available at no additional cost to the Government. The Contractor shall provide a copy of the standard commercial warranty with the item. The standard commercial warranty period shall begin upon the final acceptance of the applicable material or software. Acceptance of the standard commercial warranty does not waive the Government's rights under the "Inspection" clause, nor does it limit the Government's rights with regard to other terms and conditions of the contract. In the event of a conflict, the terms and conditions of the contract shall take precedence over the standard commercial warranty.

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OPTIONAL FORM 336A (4-86)
Sponsored by GSA
FAR (48 CFR) 53.110

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SECTION D Packaging and Marking

CLAUSES INCORPORATED BY REFERENCE:

252.227-7026 Deferred Delivery Of Technical Data Or Computer Software APR 1988

CLAUSES INCORPORATED BY FULL TEXT

SEA D-10 - IDENTIFICATION MARKING OF PARTS (NAVSEA) (NOV 1996)

Identification marking of individual parts within the systems, equipments, assemblies, subassemblies, components, groups, sets or kits, and of spare and repair parts shall be done in accordance with applicable specifications and drawings. To the extent identification marking of such parts is not specified in applicable specifications or drawings, such marking shall be accomplished in accordance with the following:

(1) Parts shall be marked in accordance with generally accepted commercial practice.

(2) In cases where parts are so small as not to permit identification marking as provided above, such parts shall be appropriately coded so as to permit ready identification.

SEA D-11 - MARKING AND PACKING LIST(S) (NAVSEA) (NOV 1996)

(a) Marking. Shipments, shipping containers and palletized unit loads shall be marked in accordance with best commercial practice.

(b) Packing List(s). A packing list (DD Form 250 Material Inspection and Receiving Report may be used) identifying the contents of each shipment, shipping container or palletized unit load shall be provided by the Contractor with each shipment. When a contract line item identified under a single stock number includes an assortment of related items such as kit or set components, detached parts or accessories, installation hardware or material, the packing list(s) shall identify the assorted items.

Where assortment of related items is included in the shipping container, a packing list identifying the contents shall be furnished.

(c) Master Packing List. In addition to the requirements in paragraph (b) above, a master packing list shall be prepared where more than one shipment, shipping container or palletized unit load comprise the contract line item being shipped. The master packing list shall be attached to the number one container and so identified.

(d) Part Identification. All items within the kit, set, installation hardware or material shall be suitably segregated and identified within the unit pack(s) or shipping container by part number and/or national stock number.

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SEA D-12 - WARRANTY NOTIFICATION FOR ITEM(S) 0016 - (NAVSEA) (NOV 1996)

The Contractor shall apply a permanent warranty notification stamping or marking on each warranted deliverable end item and its container. The notification shall be placed in close proximity to other required stamping or markings so as to be easily readable by personnel. The warranty notification shall read:

THIS ITEM WARRANTED UNDER CONTRACT N00174-03-D-0003
TO CONFORM TO DESIGN, MANUFACTURING, AND
PERFORMANCE REQUIREMENTS AND BE FREE FROM
DEFECTS IN MATERIAL AND WORKMANSHIP
FOR _____ FROM
DATE OF ACCEPTANCE. IF ITEM IS DEFECTIVE
NOTIFY _____ AND PCO.

SEA D-13 - PACKAGING LANGUAGE (W/O MILITARY SPECIFICATIONS)

Item(s) 0001, 0010, and 0016 - The supplies furnished hereunder shall be packaged in accordance with best commercial practice.

IHD 31 - MARKING OF SHIPMENTS (COMMERCIALY PACKAGED ITEMS)(NAVSEA/IHD) FEB 2000

(a) Marking shall be in accordance with ASTM D 3951-90,
"Commercial Packaging of Supplies and Equipment."

(b) Additional markings are stated below:

Contract No:

Bldg: TO SPECIFIED ON INDIVIDUAL TASK/DELIVERY ORDERS

Code:

*Note: When the item is over 1000 lbs the contractor is to stencil the weight on the crate

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SECTION E Inspection and Acceptance

CLAUSES INCORPORATED BY REFERENCE:

52.246-4	Inspection Of Services--Fixed Price	AUG 1996
52.246-2	Inspection Of Supplies--Fixed Price	AUG 1996
52.246-16	Responsibility For Supplies	APR 1984
252.246-7000	Material Inspection And Receiving Report	DEC 1991

CLAUSES INCORPORATED BY FULL TEXT

SEA E-2 - INSPECTION AND ACCEPTANCE LANGUAGE FOR F.O.B. DESTINATION (NAVSEA)

Item(s) 0001, 0010, and 0016 - Inspection and acceptance shall be made at destination by a representative of the Government.

IHD 44 - INSPECTION AND ACCEPTANCE (SPECIAL CONDITIONS)(NAVSEA/IHD) FEB 2000

(a)Initial inspection of the supplies to be furnished hereunder shall be made by IROBOT CORPORATION at the contractor's or subcontractor's plant located at MILFORD, NH. The cognizant inspector shall be notified when the material is available for inspection. The place designated for such actions shall not be changed without authorization of the Contracting Officer. Final inspection and acceptance shall be made by the GOVERNMENT within 30 days after RECEIPT OF THE ITEM.

(b)Initial inspection shall consist of quality assurance at point of manufacture and/or assembly and check/test prior to shipment. Final inspection and acceptance will be made by the Receiving Activity after installation/check out/testing of the supplies.

IHD 47 - INSPECTION AND ACCEPTANCE TIMEFRAME (NAVSEA/IHD) FEB 2000

Inspection and acceptance of supplies to be furnished under this contract shall be made by the Government within 30 days after receipt of material. Payment will be tendered not later than 30 days after acceptance has occurred.

IHD 49 - INSPECTION AND ACCEPTANCE (DESTINATION) (NAVSEA/IHD) (FEB 2000)

Inspection and acceptance of the supplies or services to be furnished hereunder shall be made at destination by the receiving activity.

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SECTION F Deliveries or Performance

CLAUSES INCORPORATED BY REFERENCE:

52.242-15	Stop-Work Order	AUG 1989
52.242-17	Government Delay Of Work	APR 1984
52.247-34	F.O.B. Destination	NOV 1991

CLAUSES INCORPORATED BY FULL TEXT

52.211-8 TIME OF DELIVERY (JUN 1997)

(a) The Government requires delivery to be made according to the following schedule:

REQUIRED DELIVERY SCHEDULE

CLINS	SUPPLIES/SERVICES	DELIVERY DATE	UNIT OF ISSUE	QUANTITY
0001	Performance Specification Verification Models (PSVM)	270.00 days after receipt of order (ARO)	Each	2.00
0002	Post Award Conference	No later than 15.00 days ADC	Lot	
0003	Project Reviews	At least two (2) prior to delivery of the PSVMs	Lot	
0004	Monthly Status Reports	45 days ARO and every month thereafter	Lot	1.00
0005	Safety Assessment Report	No later than 120 days ARO	Lot	1.00
0006	Lithium Batteries Technical Data	No later than 30 days ARO	Lot	1.00
0007	Operation and Maintenance Source Data	270.00 days ARO	Lot	1.00
0008	Training	After delivery of PSVMs	Lot	1.00
0009	Engineering Services	Upon delivery of PSVMs	Lot	1.00

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PHASE II

0010	Production Representative Models (PRM)	90.00 days after order	Each	2.00
0011	Minor Modifications in accordance with the Request for Proposal		Lot	
0012	Project Reviews	At least one (1) prior to delivery of the PRMs	Lot	
0013	Monthly Status Reports	Monthly	Lot	1.00
0014	Initial Spares List	90.00 days after order	Lot	1.00
0015	Engineering Services	Continuing from basic requirement for 270 days	Lot	1.00

PHASE III

0016	Production Systems	To be specified on individual delivery orders	Each	250.00
0017	Standard Commercial Warranty		Lot	
0018	Initial Spares	With production systems as required	Lot	1.00
0019	Chemical Detection Mission Package	To be specified on individual delivery order	Lot	1.00
0020	Nuclear Detection Mission Package	To be specified on individual delivery order	Lot	1.00
0021	Render Safe Mission Package	To be specified on individual delivery order	Lot	1.00
0022	Disruption Mission Package	To be specified on individual delivery order	Lot	1.00
0023	Disposal Mission Package	To be specified on individual delivery order	Lot	1.00
0024	Depot Repair Services	To be specified on individual delivery order	Lot	1.00

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0025	Repair Parts	To be specified on individual delivery order	Lot	1.00
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The Government will evaluate equally, as regards time of delivery, offers that propose delivery of each quantity within the applicable delivery period specified above. Offers that propose delivery that will not clearly fall within the applicable required delivery period specified above, will be considered nonresponsive and rejected. The Government reserves the right to award under either the required delivery schedule or the proposed delivery schedule, when an offeror offers an earlier delivery schedule than require above. If the offeror proposes no other delivery schedule, the require delivery schedule above will apply.

OFFEROR'S PROPOSED DELIVERY SCHEDULE

ITEM NO.	QUANTITY	WITHIN DAYS AFTER DATE OF CONTRACT
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(b) Attention is directed to the Contract Award provision of the solicitation that provides that a written award or acceptance of offer mailed, or otherwise furnished to the successful offeror, results in a binding contract. The Government will mail or otherwise furnish to the offeror an award or notice of award not later than the day award is dated. Therefore, the offeror should compute the time available for performance beginning with the actual date of award, rather than the date the written notice of award is received from the Contracting Officer through the ordinary mails. However, the Government will evaluate an offer that proposes delivery based on the Contractor's date of receipt of the contract or notice of award by adding (1) five calendar days for delivery of the award through the ordinary mails, or (2) one working day if the solicitation states that the contract or notice of award will be transmitted electronically. (The term "working day" excludes weekends and U.S. Federal holidays.) If, as so computed, the offered delivery date is later than the required delivery date, the offer will be considered nonresponsive and rejected.

(End of Clause)

IHD 61 - PLACE OF DELIVERY: DESTINATION (NAVSEA/IHD) FEB 2000

(a)The articles to be furnished hereunder shall be delivered all transportation charges paid by the contractor to:

Naval Explosive Ordnance Disposal Technology Division
Attn: Byron Brezina
2008 Stump Neck Road, Building 2172
Indian Head, MD 20640

(b)Bids submitted on a basis other than F.O.B. Destination will be rejected as non-responsive and proposals may be deemed unacceptable.

IHD 62 - PERIOD OF PERFORMANCE (NAVSEA/IHD) FEB 2000

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The Basic effort to be performed under this contract, including delivery of data, shall be completed within a period of 120 months beginning with the effective date of this contract. The estimated ordering period for each phase is shown below:

PHASE I - FROM DATE OF AWARD UNTIL SIX (6) MONTHS AFTER DATE OF AWARD (ADC)

PHASE II - FROM EIGHTEEN (18) MONTHS ADC THROUGH TWENTY-FOUR (24) MONTHS ADC

PHASE III - FROM TWENTY-EIGHT (28) MONTHS ADC THROUGH TEN (10) YEARS ADC

(End of Clause)

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SECTION G Contract Administration Data

ACCOUNTING AND APPROPRIATION DATA

CONTRACT	FUNDING DATA	COST CODE
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GUARANTEED MINIMUM WILL BE PLACED ON DELIVERY ORDER AT TIME OF AWARD.

CLAUSES INCORPORATED BY REFERENCE:

252.242-7000 Postaward Conference DEC 1991

CLAUSES INCORPORATED BY FULL TEXT

NAPS 5252.232-9000 SUBMISSION OF INVOICES (FIXED PRICE) (JUL 1992)

- (a) "Invoice" as used in this clause does not include contractor requests for progress payments.
- (b) The contractor shall submit original invoices with copies to the address identified in the solicitation/-contract award form (SF 26-Block 10; SF 33-Block 23; SF 1447-Block 14), unless delivery orders are applicable, in which case invoices will be segregated by individual order and submitted to the address specified in the order (DD 1155-Block 13 or SF 26-Block 10).
- (c) The use of copies of the Material Inspection and Receiving Report (MIRR), DD Form 250, as an invoice is encouraged. DFARS Appendix F-306 provides instructions for such use. Copies of the MIRR used as an invoice are in addition to the standard distribution stated in DFARS F-401.
- (d) In addition to the requirements of the Prompt Payment clause of this contract, the contractor shall cite on each invoice the contract line item number (CLIN); the contract subline item number (SLIN), if applicable; the accounting classification reference number (ACRN) as identified on the financial accounting data sheets, and the payment terms.
- (e) The contractor shall prepare:
- a separate invoice for each activity designated to receive the supplies or services.
 - a consolidated invoice covering all shipments delivered under an individual order.
 - either of the above.
- (f) If acceptance is at origin, the contractor shall submit the MIRR or other acceptance verification directly to the designated payment office. If acceptance is at destination, the consignee will forward acceptance verification to the designated payment office.

INVOICE MAILING INSTRUCTIONS

(To be completed by Contract Specialist)

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MAIL INVOICES TO: DFAS COLUMBUS CENTER
DFAS-CO/NORTH ENTITLEMENT OPERATIONS
P.O. BOX 182266
COLUMBUS, OH 43218-2266

NAVAL EXPLOSIVE ORDNANCE DISPOSAL TECHNOLOGY DIVISION
ATTN: ELLEN LARISCY
2008 STUMP NECK ROAD, BUILDING 2015
INDIAN HEAD. MD 20640

* Check applicable procedure.
(End of clause)

SEA G-L - CONTRACT ADMINISTRATION DATA LANGUAGE (NAVSEA)

(a)Electronic Funds Transfer (EFT) Payment Requirements

FAR 52.232-33, MANDATORY INFORMATION FOR ELECTRONIC FUNDS TRANSFER PAYMENT, is included in this solicitation/contract. All Contractor payments will be made by EFT unless excepted or otherwise determined by the paying office designated in the contract.

The Contractor must initiate enrollment in EFT by contacting the paying office designated in the contract and requesting form SF 3881, Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment Plan. This form must be completed by the Contractor and their financial institution and returned to the paying office. The paying office will complete the process and notify the Contractor that EFT enrollment is complete. All payments under this contract will be held until the Contractor provides the required EFT enrollment information.

(b)Enter below the address (street and number, city, county, state and zip code) of the Contractor's facility which will administer the contract if such address is different from the address shown on the SF 26 or SF 33, as applicable.

IHD 76 - INDIAN HEAD DIVISION, NAVAL SEA SYSTEMS COMMAND, HOURS OF OPERATION AND HOLIDAY SCHEDULE (NAVSEA/IHD) FEB 2000

1. The policy of this station is to schedule periods of reduced operations or shutdown during holiday periods. Deliveries will not be accepted on Saturdays, Sundays or Holidays except as specifically requested by the Naval Sea Systems Command. All goods or services attempted to be delivered on a Saturday, Sunday or Holiday without specific instructions from the Contracting Officer or his duly appointed representative will be returned to the contractor at his expense with no cost or liability to the U.S. Government.

2. The scheduled holidays for Indian Head Division, Naval Sea Systems Command are:

HOLIDAY DATE OF OBSERVANCE
- - - - - - - - - -

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New Year's Day	01 January (Tuesday)*
Martin Luther King's Birthday	21 January (Monday)*
President's Day	18 February (Monday)*
Memorial Day	28 May (Monday)*
Independence Day	4 July (Wednesday)*
Labor Day	3 September (Monday)*
Columbus Day	15 October (Monday)*
Veteran's Day	12 November (Monday)*
Thanksgiving Day	22 November (Thursday)*
Christmas Day	25 December (Tuesday)*

* If the actual date falls on a Saturday, the holiday will be observed the preceding Friday. If the holiday falls on a Sunday, the observance shall be on the following Monday.

3. The hours of operation for the Contracts Division and Receiving Branch are as follows:

AREA ----	FROM ----	TO --
Contracts Division (BLDG. 1558)	7:30 A.M.	4.00 P.M.
Receiving Branch (BLDG. 116)	7:30 A.M. 12:30 P.M.	11.00 A.M. 2:00 P.M.

If you intend to visit the Contracts Division, it is advised that you call for an appointment at least 24 hours in advance.

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SECTION H Special Contract Requirements

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IHD 1 - CONTRACTOR PERFORMANCE ASSESSMENT RATING SYSTEM (CPARS) NAVSEA/IHD (JAN 2001)

(a) Pursuant to FAR 42.1502, this contract is subject to DoD's Contractor Performance Assessment System (CPARS). CPARS is an automated centralized information system accessible via the Internet that maintains reports of contractor performance for each contract. CPARS is located at <http://www.nslcptsmh.navsea.navy.mil/>. Further information on CPARS is available at that web-site.

(b) Under CPARS, the Government will conduct annual evaluations of the contractor's performance. The contractor has thirty (30) days after the Government's evaluation is completed to comment on the evaluation. The opportunity to review and comment is limited to this time period and will not be extended. Failure to review the report at this time will not prevent the Government from using the report.

(c) The contractor may request a meeting to discuss the CPAR. The meeting is to be requested via e-mail to the CPARS Program Manager no later than seven days following receipt of the CPAR. A meeting will then be held during the contractor's 30-day review period.

(d) The CPARS system requires the Government to assign the contractor a UserID and password in order to view and comment on the evaluation. Provide the name(s) of at least one individual (not more than three) that will be assigned as your Defense Contractor Representative for CPARS.

NAME -----	PHONE -----	E-MAIL ADDRESS (OPTIONAL) -----
_____	_____	_____
_____	_____	_____
_____	_____	_____

(End of Clause)

IHD 91 - ORDERING UNDER MULTIPLE AWARD CONTRACTS (FEB 2000) (NAVSEA/IHD)

In the event that multiple awards result from this solicitation, task orders will be issued, competed, evaluated and awarded in accordance with the specific terms and conditions of each delivery order which may include price, past performance, technical proposal, or a combination thereof. Fair Opportunity to compete for each individual order need not be given to awardees for a particular order over \$2500.00 due to (1) urgency of the task, (2) quality of past deliverables or (3) economy/efficiency interests as determined by the Contracting Officer.

IHD 113 - NOTICE OF INCORPORATION OF SECTIONS K, L, AND M (NAVSEA/IHD) FEB 2000

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The following sections of the solicitation will not be distributed with the contract; however, they are incorporated in and form a part of the resultant contract as though furnished in full text therewith:

SECTION	TITLE
K	Representations, Certifications and Other Statements of offerors (Bidders)
L	Instructions, Conditions, and Notices to offerors (Bidders)
M	Evaluation Factors for Award

IHD 114 - CONTRACTING OFFICER'S REPRESENTATIVE (COR) (NAVSEA/IHD) FEB 2000

(a) The COR for this contract is:

Name: Byron Brezina
Mailing Address: 2008 Stump Neck Rd., Bldg. 2172, Indian Head, MD 20640
Code: 50 Telephone No.: 301-744-6850, x255

(b) The Alternate COR for this contract is:

Name:
Mailing Address:
Code: Telephone No.:

(c) The COR will act as the Contracting Officer's representative for technical matters, providing technical direction and discussion, as necessary, with respect to the specification or statement of work, and monitoring the progress and quality of contractor performance. The COR is not an Administrative Contracting Officer and does not have authority to direct the accomplishment of effort which is beyond the scope of the statement of work in the contract (or delivery order).

(d) When, in the opinion of the contractor, the COR requests effort outside the existing scope of the contract (or delivery order), the contractor shall promptly notify the contracting officer (or ordering officer) in writing. No action shall be taken by the contractor under such direction until the contracting officer has issued a modification to the contract (or in the case of a delivery order, until the ordering officer has issued a modification to the delivery order); or until the issue has been otherwise resolved.

(e) In the event that the COR named above is absent due to leave, illness or official business, all responsibility and functions assigned to the COR will be the responsibility of the alternate COR.

IHD 125 - TYPES OF DELIVERY ORDERS UNDER INDEFINITE DELIVERY TYPE CONTRACTS (FEB 2000) (NAVSEA/IHD)

(a) The following types of delivery orders will be issued under this contract:
fixed price

SEA H-1 - NAVSEA 5252.202-9101 ADDITIONAL DEFINITIONS (MAY 1993)

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As used throughout this contract, the following terms shall have the meanings set forth below:

(a) DEPARTMENT - means the Department of the Navy.

(b) REFERENCES TO THE FEDERAL ACQUISITION REGULATION (FAR) - All references to the FAR in this contract shall be deemed to also reference the appropriate sections of the Defense FAR Supplement (DFARS), unless clearly indicated otherwise.

(c) REFERENCES TO ARMED SERVICES PROCUREMENT REGULATION OR DEFENSE ACQUISITION REGULATION - All references in this document to either the Armed Services Procurement Regulation (ASPR) or the Defense Acquisition Regulation (DAR) shall be deemed to be references to the appropriate sections of the FAR/DFARS.

(d) NATIONAL STOCK NUMBERS - Whenever the term Federal Item Identification Number and its acronym FIIN or the term Federal Stock Number and its acronym FSN appear in the contract, order or their cited specifications and standards, the terms and acronyms shall be interpreted as National Item Identification Number (NIIN) and National Stock Number (NSN) respectively which shall be defined as follows:

(1) National Item Identification Number (NIIN). The number assigned to each approved Item Identification under the Federal Cataloging Program. It consists of nine numeric characters, the first two of which are the National Codification Bureau (NCB) Code. The remaining positions consist of a seven digit non-significant number.

(2) National Stock Number (NSN). The National Stock Number (NSN) for an item of supply consists of the applicable four position Federal Supply Class (FSC) plus the applicable nine position NIIN assigned to the item of supply.

SEA H-21 - NAVSEA 5252.216-9110 ORDERS (FIXED-PRICE) (JULY 1999)

(a) General. Orders for supplies or services specified in Section B of the Schedule may be issued by the Contracting Officer at any time during the effective period of this agreement. Except as otherwise provided in paragraph (e) below, the Contractor agrees to accept and perform orders issued by the Contracting Officer within the scope of this agreement. It is understood and agreed that the Government has no obligation under the terms of this agreement to issue any orders. Except as otherwise provided in any order, the Contractor shall furnish all materials and services necessary to accomplish the work specified in each order issued hereunder; provided, however, that this agreement shall not be used for the furnishing of supplies or services which are covered by any "guaranty" or "warranty" clause(s) of the contract(s) under which the supplies were manufactured. In the event of any inconsistency between any order and this agreement, this agreement shall control. All requirements of this agreement shall be applicable to all orders issued hereunder. Wherever the word "contract" appears in this agreement, it shall be deemed to include within its meaning the word "order", and each order shall be considered a separate binding contract as of its effective date. The Contractor shall segregate the costs incurred in the performance of any order issued hereunder from the costs of all other orders issued under this agreement.

(b) Ordering. Orders and revisions thereto shall be made in writing and be signed by any authorized Contracting Officer cited in paragraph (i). Each order shall:

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- (1) set forth detailed specifications or requirements for the supplies or services being ordered, (or reference applicable specifications or requirements in Section C of this agreement), and, shall refer to the appropriate item under Section B of this agreement;
- (2) set forth quantities being ordered;
- (3) set forth preservation, packaging and packing instructions, if any;
- (4) set forth delivery or performance dates;
- (5) designate the place(s) where inspection and acceptance will be made by the Government;
- (6) set forth either the firm contract price or, in the case of an undefinitized order, the definitization schedule and both the monetary limitation on Government liability for the undefinitized order and the maximum ceiling amount at which the order may be definitized;
- (7) set forth appropriation and accounting data for the work being ordered;
- (8) set forth any discount offered for prompt payment;
- (9) be dated;
- (10) be identified by number in accordance with DFARS 204.7004;
- (11) set forth the property, if any, to be furnished by the Government and the date(s) such property is to be delivered to the Contractor;
- (12) set forth the disbursing office where payment is to be made and other applicable contract administration data;
- (13) cite the applicable circumstance or exception and the justification control number. Orders for items not identified in the class justification, or an individual justification, and the basic ordering agreement are unauthorized;
- (14) be issued on an SF 26 or a DD Form 1155; and
- (15) set forth any other pertinent information.

(c) Firm Priced Orders. Except as otherwise provided in paragraph (d) below, the Contractor shall not begin any work on an order until a firm priced order is issued by the Contracting Officer. Upon receipt of a proposed order, the Contractor shall promptly submit to the Contracting Officer a price proposal for the work specified in the order. The Contractor agrees that it will submit such cost or pricing data as the Contracting Officer may require. Promptly after receipt of the Contractor's proposal and supporting cost or pricing data, the Contractor and the Contracting Officer shall negotiate and agree upon a price and delivery schedule for the work being ordered. The price and delivery schedule, as agreed upon, shall be set forth in the priced order and the order shall be signed by both the Contracting Officer and the Contractor. Upon receipt of the priced order, the Contractor shall promptly commence work and shall diligently complete it.

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(d) **Undefinitized Orders.** Whenever the Contracting Officer determines that urgent demands or requirements prevent the issuance of a firm priced order, the Contracting Officer may issue an unpriced order. Such order may be unilateral or bilateral and shall establish a limitation on Government liability, a maximum ceiling amount and a schedule for definitization, as described in subparagraph (f)(2) below. Upon request, the Contractor shall submit a maximum ceiling amount proposal before the undefinitized order is issued. The maximum ceiling amount is the maximum price at which the order may be definitized. Except as provided in paragraph (e) below, the Contractor shall commence performance of the order upon receipt. The clause entitled "CONTRACT DEFINITIZATION" (DFARS 252.217-7027) shall be included in any undefinitized order.

(e) **Rejection of Unilateral Orders.** The Contractor may reject any unilateral order if the Contractor determines it cannot feasibly perform the order, or if it does not concur with the maximum ceiling amount. However, each unilateral order shall be deemed to have been accepted by the Contractor unless within fifteen (15) days of issuance of the order the Contractor notifies the Contracting Officer in writing of its rejection of the order.

(f) **Definitization of Undefinitized Orders.** (1) The Contractor agrees that following the issuance of an undefinitized order, it will promptly begin negotiating with the Contracting Officer the price and terms of a definitive order that will include: (A) all clauses required by regulation on the date of the order; (B) all clauses required by law on the date of execution of the definitive order; and, (C) other mutually agreeable clauses, terms and/or conditions. No later than sixty (60) days after the undefinitized order is issued, the Contractor shall submit a cost proposal with sufficient data to support the accuracy and derivation of its price; and, when required by FAR or the Contracting Officer, cost or pricing data. If additional cost information is available prior to the conclusion of negotiations, the Contractor shall provide that information to the Contracting Officer. The price agreed upon shall be set forth in a bilateral modification to the order. In no event shall the price exceed the maximum ceiling amount specified in the undefinitized order.

(2) Each undefinitized order shall contain a schedule for definitization which shall include a target date for definitization and dates for submission of a qualifying proposal, beginning of negotiations and, if appropriate, submission of make-or-buy and subcontracting plans and cost or pricing data. Submission of a qualifying proposal in accordance with the definitization schedule is a material element of the order. The schedule shall provide for definitization of the order by the earlier of:

- (i) specified target date which is not more than 180 days after the issuance of the undefinitized order. However, that target date may be extended by the Contracting Officer for up to 180 days after the Contractor submits a qualifying proposal as defined in DFARS 217.7401; or
- (ii) the date on which the amount of funds obligated by the Government under the undefinitized order exceeds fifty percent (50%) of the order's maximum ceiling amount, except as provided in subparagraph (f)(3) below.

(3) If agreement on a definitive order is not reached within the time provided pursuant to subparagraph (f)(2) above, the Contracting Officer may, with the approval of the Head of the Contracting Activity, determine a reasonable price in accordance with Subpart 15.8 and Part 31 of the FAR, and issue a unilateral order subject to Contractor appeal as provided in the "DISPUTES" clause (FAR 52.233-1). In any event, the Contractor shall proceed with completion of the order, subject to the "LIMITATION OF GOVERNMENT LIABILITY" clause (FAR 52.216-24).

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(g) Limitation of Government Liability. (1) Each undefinitized order shall set forth the limitation of Government liability, which shall be the maximum amount that the Government will be obligated to pay the Contractor for performance of the order until the order is definitized. The Contractor is not authorized to make expenditures or incur obligations exceeding the limitation of Government liability set forth in the order. If such expenditures are made, or if such obligations are incurred, those expenditures and obligations will be at the Contractor's sole risk and expense. Further, the limitation of liability shall be the maximum Government liability if the order is terminated. The clause at FAR 52.216-24 shall be included in any undefinitized order.

(2) Except for undefinitized orders for Foreign Military Sales; purchases of less than \$25,000; special access programs; and Congressionally-mandated long lead procurements; and except as otherwise provided in subparagraph (g)(3) below, the limitation of Government liability shall not exceed fifty percent (50%) of the maximum ceiling amount of an undefinitized order. In the case of orders within these excepted categories, however, the procedures set forth herein shall be followed to the maximum extent practical.

(3) If the Contractor submits a qualifying proposal, as defined in DFARS 217.7401, to definitize an order before the Government obligated fifty percent (50%) of the maximum ceiling amount, the Contracting Officer may increase the limitation of Government liability up to no more than seventy-five percent (75%) of the maximum ceiling amount or up to seventy-five percent (75%) of the price proposed by the Contractor, whichever is less.

(4) If at any time the Contractor believes that its expenditures under an order will exceed the limitation of Government liability, the Contractor shall so notify the Contracting Officer, in writing, and propose an appropriate increase in the limitation of Government liability of such order. Within thirty (30) days of such notice, the Contracting Officer will either (i) notify the Contractor in writing of such appropriate increase, or (ii) instruct the Contractor how and to what extent the work shall be continued; provided, however, that in no event shall the Contractor be obligated to proceed with work on an undefinitized order beyond the point where its costs incurred plus a reasonable profit exceed the limitation of Government liability, and provided also that in no event shall the Government be obligated to pay the Contractor any amount in excess of the limitation of Government liability specified in any such order prior to definitization.

(h) Initial Spares. The limitations set forth in paragraph (d) and subparagraphs (f)(2), (g)(2) and (g)(3), do not apply to undefinitized orders for the purchase of initial spares.

(i) Ordering Activities. The following activities are authorized to issue orders hereunder:

The Contracting Officer of the Ordering Activity shall forward a copy of each executed order marked "DD-350", to the Commander, Naval Sea Systems Command, ATTN: SEA 0293.

(j) Funds in the following amount are committed under this Basic Ordering Agreement for use by the Ordering Activity in obligating funds to pay for orders placed hereunder:

Item Funds

The Contracting Officer of the Ordering Activity shall forward a copy of each executed order marked ADD-350(congruents), to the Commander, Naval Sea Systems Command, ATTN: SEA 0294.

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SECTION I Contract Clauses

CLAUSES INCORPORATED BY REFERENCE:

52.202-1	Definitions	DEC 2001
52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6 Alt I	Restrictions On Subcontractor Sales To The Government (Jul 1995)-- Alternate I	OCT 1995
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-12	Limitation On Payments To Influence Certain Federal Transactions	JUN 1997
52.204-4	Printed or Copied Double-Sided on Recycled Paper	AUG 2000
52.208-9	Contractor Use of Mandatory Sources of Supply or Services	FEB 2002
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment	JUL 1995
52.211-15	Defense Priority And Allocation Requirements	SEP 1990
52.215-8	Order of Precedence--Uniform Contract Format	OCT 1997
52.219-6	Notice Of Total Small Business Set-Aside	JUL 1996
52.219-8	Utilization of Small Business Concerns	OCT 2000
52.219-14	Limitations On Subcontracting	DEC 1996
52.222-3	Convict Labor	AUG 1996
52.222-21	Prohibition Of Segregated Facilities	FEB 1999
52.222-26	Equal Opportunity	FEB 1999
52.222-35	Equal Opportunity For Disabled Veterans, Veterans of the Vietna Era and Other Eligible Veterans	DEC 2001
52.222-36	Affirmative Action For Workers With Disabilities	JUN 1998
52.222-37	Employment Reports On Special Disabled Veterans, Veterans Of The Vietnam Era and Other Eligible Veterans	DEC 2001
52.223-10	Waste Reduction Program	AUG 2000
52.223-14	Toxic Chemical Release Reporting	OCT 2000
52.225-8	Duty-Free Entry	FEB 2000
52.225-13	Restrictions on Certain Foreign Purchases	JUL 2000
52.226-1	Utilization Of Indian Organizations And Indian-Owned Economic Enterprises	JUN 2000
52.227-1	Authorization and Consent	JUL 1995
52.227-2	Notice And Assistance Regarding Patent And Copyright Infringement	AUG 1996
52.229-3	Federal, State And Local Taxes	JAN 1991
52.229-5	Taxes--Contracts Performed In U S Possessions Or Puerto Rico	APR 1984
52.232-1	Payments	APR 1984
52.232-8	Discounts For Prompt Payment	FEB 2002
52.232-11	Extras	APR 1984
52.232-17	Interest	JUN 1996

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52.232-23	Assignment Of Claims	JAN 1986
52.232-25	Prompt Payment	FEB 2002
52.232-33	Payment by Electronic Funds Transfer--Central Contractor Registration	MAY 1999
52.233-1 Alt I	Disputes (Dec 1998) - Alternate I	DEC 1991
52.233-3	Protest After Award	AUG 1996
52.242-13	Bankruptcy	JUL 1995
52.243-1	Changes--Fixed Price	AUG 1987
52.247-63	Preference For U.S. Flag Air Carriers	JAN 1997
52.249-2	Termination For Convenience Of The Government (Fixed-Price)	SEP 1996
52.249-8	Default (Fixed-Price Supply & Service)	APR 1984
52.251-1	Government Supply Sources	APR 1984
52.253-1	Computer Generated Forms	JAN 1991
252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense- Contract-Related Felonies	MAR 1999
252.203-7002	Display Of DOD Hotline Poster	DEC 1991
252.204-7002	Payment For Subline Items Not Separately Priced	DEC 1991
252.204-7003	Control Of Government Personnel Work Product	APR 1992
252.204-7004	Required Central Contractor Registration	NOV 2001
252.205-7000	Provisions Of Information To Cooperative Agreement Holders	DEC 1991
252.209-7004	Subcontracting With Firms That Are Owned or Controlled By The Government of a Terrorist Country	MAR 1998
252.225-7001	Buy American Act And Balance Of Payments Program	MAR 1998
252.225-7002	Qualifying Country Sources As Subcontractors	DEC 1991
252.225-7009	Duty-Free Entry--Qualifying Country Supplies (End Products and Components)	AUG 2000
252.225-7010	Duty-Free Entry--Additional Provisions	AUG 2000
252.225-7012	Preference For Certain Domestic Commodities	AUG 2000
252.225-7031	Secondary Arab Boycott Of Israel	JUN 1992
252.225-7043	Antiterrorism/Force Protection Policy for Defense Contractors Outside the United States	JUN 1998
252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises-DoD Contracts	SEP 2001
252.227-7013	Rights in Technical Data--Noncommercial Items	NOV 1995
252.227-7014	Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation	JUN 1995
252.227-7016	Rights in Bid or Proposal Information	JUN 1995
252.227-7019	Validation of Asserted Restrictions--Computer Software	JUN 1995
252.227-7030	Technical Data--Withholding Of Payment	MAR 2000
252.227-7036	Declaration of Technical Data Conformity	JAN 1997
252.227-7037	Validation of Restrictive Markings on Technical Data	SEP 1999
252.243-7001	Pricing Of Contract Modifications	DEC 1991
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.246-7000	Material Inspection And Receiving Report	DEC 1991
252.247-7023	Transportation of Supplies by Sea	MAR 2000
252.247-7024	Notification Of Transportation Of Supplies By Sea	MAR 2000

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CLAUSES INCORPORATED BY FULL TEXT

52.216-18 - ORDERING (OCT 1995)

- (a) Any supplies and services to be furnished under this contract shall be ordered by issuance of delivery orders or task orders by the individuals or activities designated in the Schedule. Such orders may be issued from date of award through ten (10) years thereafter. The ordering period for Phase I shall be from date of award until six (6) months after date of contract (ADC). The ordering period for Phase II shall be from eighteen (18) months ADC through twenty-four (24) months ADC. The ordering period for Phase III shall be from twenty-eight (28) months ADC through ten (10) years ADC.
- (b) All delivery orders or task orders are subject to the terms and conditions of this contract. In the event of conflict between a delivery order or task order and this contract, the contract shall control.
- (c) If mailed, a delivery order or task order is considered "issued" when the Government deposits the order in the mail. Orders may be issued orally, by facsimile, or by electronic commerce methods only if authorized in the Schedule.

(End of clause)

52.216-19 ORDER LIMITATIONS. (OCT 1995)

- (a) Minimum order. When the Government requires supplies or services covered by this contract in an amount of less than CLINS 0001 through 0009, the Government is not obligated to purchase, nor is the Contractor obligated to furnish, those supplies or services under the contract.
- (b) Maximum order. The Contractor is not obligated to honor:
- (1) Any order for a single item in excess of 250 units (insert dollar figure or quantity);
- (2) Any order for a combination of items in excess of 250 production units (insert dollar figure or quantity); or
- (3) A series of orders from the same ordering office within 30days that together call for quantities exceeding the limitation in subparagraph (1) or (2) above.
- (c) If this is a requirements contract (i.e., includes the Requirements clause at subsection 52.216-21 of the Federal Acquisition Regulation (FAR)), the Government is not required to order a part of any one requirement from the Contractor if that requirement exceeds the maximum-order limitations in paragraph (b) above.
- (d) Notwithstanding paragraphs (b) and (c) above, the Contractor shall honor any order exceeding the maximum order limitations in paragraph (b), unless that order (or orders) is returned to the ordering office within 10days after issuance, with written notice stating the Contractor's intent not to ship the item (or items) called for and the reasons. Upon receiving this notice, the Government may acquire the supplies or services from another source.

(End of clause)

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52.216-22 INDEFINITE QUANTITY. (OCT 1995)

(a) This is an indefinite-quantity contract for the supplies or services specified, and effective for the period stated, in the Schedule. The quantities of supplies and services specified in the Schedule are estimates only and are not purchased by this contract.

(b) Delivery or performance shall be made only as authorized by orders issued in accordance with the Ordering clause. The Contractor shall furnish to the Government, when and if ordered, the supplies or services specified in the Schedule up to and including the quantity designated in the Schedule as the "maximum". The Government shall order at least the quantity of supplies or services designated in the Schedule as the "minimum".

(c) Except for any limitations on quantities in the Order Limitations clause or in the Schedule, there is no limit on the number of orders that may be issued. The Government may issue orders requiring delivery to multiple destinations or performance at multiple locations.

(d) Any order issued during the effective period of this contract and not completed within that period shall be completed by the Contractor within the time specified in the order. The contract shall govern the Contractor's and Government's rights and obligations with respect to that order to the same extent as if the order were completed during the contract's effective period; provided, that the Contractor shall not be required to make any deliveries under this contract after 120 days after expiration date of the contract.

(End of clause)

52.223-11 OZONE-DEPLETING SUBSTANCES (MAY 2001)

(a) Definition. Ozone-depleting substance, as used in this clause, means any substance the Environmental Protection Agency designates in 40 CFR part 82 as--

(1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or

(2) Class II, including, but not limited to, hydrochlorofluorocarbons.

(b) The Contractor shall label products which contain or are manufactured with ozone-depleting substances in the manner and to the extent required by 42 U.S.C. 7671j (b), (c), and (d) and 40 CFR Part 82, Subpart E, as follows:

"WARNING: Contains (or manufactured with, if applicable), a substance(s) which harm(s) public health and environment by destroying ozone in the upper atmosphere."-----

The Contractor shall insert the name of the substance(s).

(End of clause)

52.252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this/these address(es):

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<http://www.arnet.gov/far/>

<http://www.acq.osd.mil/dp/dars/dfars/dfars.html>

252.225-7008 SUPPLIES TO BE ACCORDED DUTY-FREE ENTRY (MAR 1998)

In accordance with paragraph (b) of the Duty-Free Entry clause of this contract, in addition to duty-free entry for all qualifying country supplies (end products and components) and all eligible end products subject to applicable trade agreements (if this contract contains the Buy American Act--Trade Agreements--Balance of Payments Program clause or the Buy American Act--North American Free Trade Agreement Implementation Act--Balance of Payments Program clause), the following foreign end products that are neither qualifying country end products nor eligible end products under a trade agreement, and the following nonqualifying country components, are accorded duty-free entry.

(End of Clause)

252.251-7000 ORDERING FROM GOVERNMENT SUPPLY SOURCES (MAY 1995)

(a) When placing orders under Federal Supply Schedules or Personal Property Rehabilitation Price Schedules, the Contractor shall follow the terms of the applicable schedule and authorization. Include in each order:

(1) A copy of the authorization (unless a copy was previously furnished to the Federal Supply Schedule or Personal Property Rehabilitation Price Schedule contractor).

(2) The following statement:

This order is placed under written authorization from dated . In the event of any inconsistency between the terms and conditions of this order and those of your Federal Supply Schedule contract or Personal Property Rehabilitation Price Schedule contract, the latter will govern.

(3) The completed address(es) to which the Contractor's mail, freight, and billing documents are to be directed.

(b) If a Federal Supply Schedule contractor refuses to honor an order placed by a Government contractor under an agency authorization, the Contractor shall report the circumstances to the General Services Administration, FFN, Washington, DC 20406, with a copy to the authorizing office.

(c) When placing orders under nonmandatory schedule contracts and requirements contracts, issued by the General Services Administration (GSA) Office of Information Resources Management, for automated data processing equipment, software and maintenance, communications equipment and supplies, and teleprocessing services, the Contractor shall follow the terms of the applicable contract and the procedures in paragraph (a) of this clause.

(d) When placing orders for Government stock, the Contractor shall --

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- (1) Comply with the requirements of the Contracting Officer's authorization, using FEDSTRIP or MILSTRIP procedures, as appropriate;
- (2) Use only the GSA Form 1948-A, Retail Services Shopping Plate, when ordering from GSA Self-Service Stores;
- (3) Order only those items required in the performance of Government contracts; and
- (4) Pay invoices from Government supply sources promptly. For purchases made from DoD supply sources, this means within 30 days of the date of a proper invoice (see also Defense Federal Acquisition Regulation Supplement (DFARS) 251.105). For purposes of computing interest for late Contractor payments, the Government's invoice is deemed to be a demand for payment in accordance with the Interest clause of this contract. The Contractor's failure to pay may also result in the DoD supply source refusing to honor the requisition (see DFARS 251.102(f)) or in the Contracting Officer terminating the Contractor's authorization to use DoD supply sources. In the event the Contracting Officer decides to terminate the authorization due to the Contractor's failure to pay in a timely manner, the Contracting Officer shall provide the Contractor with prompt written notice of the intent to terminate the authorization and the basis for such action. The Contractor shall have 10 days after receipt of the Government's notice in which to provide additional information as to why the authorization should not be terminated. Such termination shall not provide the Contractor with an excusable delay for failure to perform or complete the contract in accordance with the terms of the contract, and the Contractor shall be solely responsible for any increased costs.
- (e) Only the Contractor may request authorization for subcontractor use of Government supply sources. The Contracting Officer will not grant authorizations for subcontractor use without approval of the Contractor.
- (f) Government invoices shall be submitted to the Contractor's billing address, and Contractor payments shall be sent to the Government remittance address specified below:

Contractor's Billing Address [include point of contact and telephone number]:

Government Remittance Address [include point of contact and telephone number]:

(End of clause)

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SECTION J List of Documents, Exhibits and Other Attachments

Attachment A - Performance Specification

Attachment B - Contract Administration Plan

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PERFORMANCE SPECIFICATION
FOR THE
MAN TRANSPORTABLE ROBOTIC SYSTEM

1. SCOPE

This performance specification contains the complete requirements for the Man Transportable Robotic System (MTRS), including interface characteristics and quality assurance provisions.

2. SYSTEM REQUIREMENTS

2.1 SYSTEM DESCRIPTION

The purpose of the MTRS is to complement/augment the military EOD technician when performing reconnaissance during extremely hazardous EOD missions involving unexploded ordnance (UXO) and improvised explosive devices (IEDs). The MTRS will provide the operator with good situational awareness(1) of the area that is being reconnoitered. The major components of the MTRS will be a remote controlled vehicle and an operator control station (OCS). Communication between the OCS and the vehicle shall be accomplished in both a wireless mode and a cabled mode. The vehicle will be composed of a teleoperated(2) platform and a teleoperated robotic manipulator. The vehicle shall incorporate industry standard communication ports to enable interoperability with various sensors in future system upgrades that will enhance the reconnaissance capabilities of the MTRS. The MTRS shall also have an integrated firing circuit to enable interoperability with explosive EOD tools in future system upgrades that will add render safe, disruption, and disposal capabilities to the MTRS.

2.2 CHARACTERISTICS

2.2.1 PERFORMANCE CHARACTERISTICS.

2.2.1.1 VEHICLE SIZE. The vehicle size shall be such that the vehicle can travel through a door opening with a clear width of 25 inches and turn into a corridor with a width of 36 inches. The capability of the vehicle to travel down passageways with a width of 18 inches is desired.

2.2.1.2 VEHICLE MOBILITY.

Note: The vehicle shall meet the specifications contained in sections 2.2.1.2.1 through and including 2.2.1.2.10 while carrying a 10 pound payload that is located as close as possible to the center of gravity of the vehicle.

Note: Modular mobility aids may be used to enhance vehicle performance for specific mobility specifications. However, the vehicle, without any modular mobility aids, shall meet the specifications contained in sections

- - - - -
(1)Situational awareness refers to the degree of accuracy by which the operator's perception of the environment surrounding the vehicle mirrors reality

(2)Teleoperation implies the presence of a human being in the control loop

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2.2.1.2.1, 2.2.1.2.5, 2.2.1.3, and 2.2.1.6. Mobility aids, if any, shall be modular with respect to the vehicle platform, requiring no more than five minutes to install or remove without the use of tools.

2.2.1.2.1 STAIRS. The vehicle shall be capable of climbing the following stair types:

- Wooden Residential Stairs - Consists of 13 steps in a straight flight with 8.25 inch risers and 9 inch treads (43 degree climb angle). Stair width is 36 inches.
- Carpeted Wooden Residential Stairs - Consists of five steps in a straight flight, a quarter landing, and eight steps in a straight flight. Stair width is 36 inches with 7.75 inch risers and 10 inch treads (38 degree climb angle). All stairs and landing are carpeted.
- Commercial Building Stairs - Consists of 13 steps in a straight flight, a half landing, and 10 steps in a straight flight. Stair width is 42 inches with 7 inch risers and 11 inch treads (32 degree climb angle). Tread surface is finished masonry with anti-skid nosings.

The capability to climb 36 inch wide wooden stairs with 10 inch risers and 5.75 inch treads (60 degree climb angle) is desired.

2.2.1.2.2 SLOPES (CLIMB). The vehicle shall be capable of climbing a 45 degree dry grass-covered slope. The capability to climb a 60 degree dry grass-covered slope is desired.

2.2.1.2.3 SLOPES (TRAVERSE). The vehicle shall be capable of traversing a 30 degree dry grass-covered slope. The capability to traverse a 45 degree dry grass-covered slope is desired.

2.2.1.2.4 SNOW. The vehicle shall be capable of maneuvering in snow that is 2 inches deep. The capability to maneuver in snow that is 6 inches deep is desired.

2.2.1.2.5 CURB. The vehicle shall have the capability to maneuver over a 6 inch concrete curb. The capability to maneuver over a 12 inch concrete curb is desired.

2.2.1.2.6 RUBBLE/DEBRIS. The vehicle shall have the capability to maneuver on rubble/debris with an average diameter of 4 inches. The capability to maneuver on rubble/debris with an average diameter of 8 inches is desired.

2.2.1.2.7 SAND. The vehicle shall have the capability to maneuver on unpacked sand that is 2 inches deep. The capability to maneuver on unpacked sand that is 6 inches deep is desired.

2.2.1.2.8 HIGH GRASS. The vehicle shall have the capability to maneuver in grass that is 6 inches high. The capability to maneuver in grass that is 12 inches high is desired.

2.2.1.2.9 SHALLOW WATER. The vehicle shall have the capability to maneuver in standing water that is 4 inches deep. The capability to maneuver in standing water that is 6 inches deep is desired.

2.2.1.2.10 MUD. The vehicle shall have the capability to maneuver in mud.

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2.2.1.3 ENDURANCE. The vehicle and OCS, while being powered by internal power sources such as batteries, shall be capable of two hours of continuous operation when being operated against the following endurance profile in wireless mode and cabled mode:

- Drive vehicle 800 meters on a dirt road with three neutral clockwise 180 degree turns and four neutral counterclockwise 180 degree turns over a 20 minute period.
- Perform reconnaissance in search area along dirt path in wooded area for 50 minutes. Search area is 100 meters long by 20 meters wide. Reconnaissance of certain targets to involve manipulator usage.
- Grasp a target with the manipulator, transport target a distance of 100 meters, and place target over a period of 10 minutes.
- Monitor roadway with vehicle stationary (camera movements only) for 20 minutes.
- Drive vehicle 800 meters on a level dirt road with four neutral clockwise 180 degree turns and three neutral counterclockwise 180 degree turns over a 20 minute period.

The vehicle shall meet the endurance specification while carrying a 10 pound payload that is located as close as possible to the center of gravity of the vehicle. The capability to continuously operate the vehicle and OCS for four hours (two consecutive endurance profiles with no battery changeout or recharging) is desired.

2.2.1.4 RANGE.

2.2.1.4.1 WIRELESS MODE. When being operated in wireless mode, the maximum range of operation between the vehicle and the OCS shall be no less than 800 meters (line of sight). A range of 2000 meters is desired. No performance degradation (e.g. loss of vehicle control, loss of vehicle functions, loss of video, loss of audio) shall occur when the vehicle is at the maximum range or at any distance (line of sight) that is less than the maximum range. The operating frequencies used shall fall into one or more of the following frequency bands:

- 138 MHz - 144 MHz (Narrowband - Occupied Bandwidth less than or equal to 12.5 kHz)
- 148 MHz - 149.9 MHz (Narrowband - Occupied Bandwidth less than or equal to 12.5 kHz)
- 150.05 MHz - 150.8 MHz (Narrowband - Occupied Bandwidth less than or equal to 12.5 kHz)
- 1755 MHz - 1850 MHz
- 4400 MHz - 4990 MHz

The capability to independently operate two systems simultaneously in wireless mode in the same location is desired.

2.2.1.4.2 CABLED MODE. When being operated in cabled mode (e.g. fiber optic, coaxial, multi-conductor), the maximum amount of cable that can be deployed between the vehicle and the OCS shall be no less than 200 meters. The desired maximum amount of cable is 500 meters. An indication shall be provided to warn the operator when 20 meters of cable or less remains to be payed out. A conspicuous marking of the cable that can be viewed with a vehicle camera is a sufficient indication. The cable shall be stored on the vehicle and be capable of paying out freely from the vehicle. A self-reeling mechanism for cable retrieval located on the vehicle that can be controlled from the OCS during a mission is desired. If such a self-reeling mechanism is not provided on the vehicle, then a manual or powered reeling mechanism shall be provided at the OCS to facilitate the retrieval of cable during

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a mission. A means to facilitate the manual retrieval of cable onto the vehicle after a mission shall be provided. The capability to lower, lift, and drag the vehicle by the cable (without damaging the cable) is desired.

2.2.1.5 PORTABILITY.

2.2.1.5.1 MAN TRANSPORTABILITY. All components of the system necessary to conduct 2 two-hour missions (as outlined in 2.2.1.3 with one in wireless mode and one in cabled mode) shall weigh no more than 145 pounds and shall be capable of being transported a distance of 500 meters in semi-rugged terrain as one load by two personnel in one trip. The entire weight of the load shall be borne by the two personnel. A weight of no more than 75 pounds (vice 145 pounds) is desired. A load carrying apparatus that combines stretcher type handles and shoulder support is recommended, but not required, to facilitate transporting the load. Any load carrying apparatus shall be considered to be part of the system and the weight of such apparatus shall be included in the 145 pound weight limit. Any modular vehicle mobility aids shall also be included in the 145 pound weight limit. The load carrying apparatus, if provided, shall be capable of supporting 160 pounds (which includes the weight of the apparatus itself) to allow for an additional 15 pounds of weight associated with future system upgrades.

2.2.1.5.2 VEHICLE HANDLING. The vehicle shall have handles or other suitable means (which can be permanently attached or detachable) to facilitate convenient grasping, handling, and carrying by personnel.

2.2.1.6 VEHICLE SPEED. The vehicle shall be capable of reaching and maintaining a maximum speed of no less than 2.5 miles per hour on a hard dry level surface. Control of the vehicle speed between zero and the maximum speed shall be continuously variable. The vehicle shall meet the speed specification while carrying a 10 pound payload that is located as close as possible to the center of gravity of the vehicle. The capability to reach and maintain a maximum speed of 5 miles per hour is desired.

2.2.1.7 MANIPULATOR

2.2.1.7.1 MANIPULATOR DEXTERITY. The manipulator shall have at least the following two degrees of freedom:

- Shoulder pitch
- Elbow pitch

The manipulator shall have an end effector (grripper) that is capable of grasping small UXO such as submunitions, grenades, and projectiles less than 4 inches in diameter and small IEDs such as pipe bombs.

A manipulator with the following six degrees of freedom is desired:

- Shoulder pitch
- Shoulder yaw
- Elbow pitch
- Wrist pitch
- Wrist yaw
- Wrist roll

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2.2.1.7.2 MANIPULATOR LIFT. The manipulator shall be capable of lifting a 15 pound cylindrical load and securely holding the load while the vehicle travels a distance of 800 meters. The capability to lift and securely hold a 30 pound load is desired.

2.2.1.7.3 MANIPULATOR MODULARITY. The manipulator shall be modular with respect to the vehicle platform, requiring no more than five minutes to install or remove without the use of tools.

2.2.1.8 SET-UP.

2.2.1.8.1 PREPARATION FOR OPERATION OUT OF SHIPPING CONTAINERS. The system shall be capable of being prepared for wireless mode and cabled mode operation out of the shipping containers in no more than ten minutes using common hand tools. Pre-operational checks are considered to be part of preparation for operation. The capability to prepare the system for operation in no more than five minutes without the use of tools is desired.

2.2.1.8.2 PREPARATION FOR MAN TRANSPORT OUT OF SHIPPING CONTAINERS. The system shall be capable of being prepared for man transport (see 2.2.1.5.1) out of the shipping containers in no more than ten minutes using common hand tools. Pre-operational checks that are necessary prior to man transport are considered to be part of preparation for man transport. The capability to prepare the system for man transport in no more than five minutes without the use of tools is desired.

2.2.1.8.3 PREPARATION FOR OPERATION AFTER MAN TRANSPORT. The system shall be capable of being prepared for wireless mode and cabled mode operation after man transport in no more than five minutes using common hand tools. Pre-operational checks are considered to be part of preparation for operation. The capability to prepare the system for operation after man transport in no more than two minutes without the use of tools is desired.

2.2.1.9 TURN-AROUND.

2.2.1.9.1 VEHICLE BATTERY(IES) CHANGEOUT. The batteries in the vehicle shall be capable of being replaced in no more than two minutes without the use of tools. The capability to replace the vehicle batteries in no more than one minute without the use of tools is desired.

2.2.1.9.2 OPERATOR CONTROL STATION BATTERY(IES) CHANGEOUT. The batteries in the OCS shall be capable of being replaced in no more than two minutes without the use of tools. The capability to replace the OCS batteries in no more than one minute without the use of tools is desired.

2.2.1.9.3 POST-MISSION TURN-AROUND. The system shall be capable of being "turned-around" (prepared for next mission) in no more than ten minutes using common hand tools. Any post-operational checks are considered to be part of the turn-around. The capability to turn-around the system in no more than five without the use of tools is desired.

2.2.1.10 VIDEO. The video displayed at the OCS from the vehicle shall provide the operator with good situational awareness of the area being reconnoitered. The displayed video is the main feedback the operator will use to locate, examine, and identify UXO and IEDs as well as to maneuver the vehicle and operate the manipulator. No minimum number of vehicle cameras is specified herein in order to provide sufficient video to accomplish the tasks mentioned above. However, all camera views provided shall be able to be viewed simultaneously at the OCS and at least one vehicle camera shall have the following characteristics:

- Camera is not attached to the manipulator

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- Capable of being remotely positioned at least 3 feet from the ground
- Continuous pan capability
- Tilt capability of +/-90 degrees from horizontal
- Automatic focus with manual override
- Automatic iris with manual override
- 20x optical (or greater)/100x digital (or greater) manual zoom capability
- Automatic image stabilization

The video displayed at the OCS shall be capable of being recorded by an external video recording device.

2.2.1.11 AUDIO. The MTRS shall have a two-way audio capability between the OCS and vehicle that is capable of being recorded by an external audio recording device.

2.2.1.12 ILLUMINATION. Illumination sources shall be provided on the vehicle to ensure effective camera operation in all lighting conditions. The intensity of the illumination sources shall be manually adjustable from the OCS with at least three intensity settings between off and full.

2.2.1.13 JOINT ARCHITECTURE FOR UNMANNED GROUND SYSTEMS (JAUGS). The MTRS shall comply with the Joint Architecture for Unmanned Ground Systems Reference Architecture Specification version 2.0.

2.2.1.14 FIRING CIRCUIT. The MTRS shall contain a safety critical firing circuit that is capable of initiating electro-explosive devices such as squibs and blasting caps. The output of the firing circuit shall terminate in two suitable terminal posts in an accessible location on the vehicle. The firing circuit shall be capable of providing no less than 2.43 amperes of direct current. The output voltage of the firing circuit shall be no less than 14 volts and no greater than 28 volts. Functioning of the firing circuit shall require a unique sequence of events to be performed at the OCS by the operator. See 2.2.8.2.

2.2.1.15 RELIABILITY. The MTRS shall have a Mean Time Between Operational Mission Failures (MTBOMF) of at least 9.0 hours. An operational mission failure is one that precludes successful completion of a mission. An MTBOMF of at least 19.0 hours is desired.

2.2.1.16 MAINTAINABILITY. The MTRS shall have a Mean Corrective Maintenance Time for Operational Mission Failures (MCMTOMF) of no more than 2 hours. The MCMTOMF is the average time required to perform corrective maintenance at the organizational level.

2.2.2 PHYSICAL CHARACTERISTICS

2.2.2.1 SIZE.

2.2.2.1.1 SYSTEM SIZE The entire system shall be capable of being stored and shipped in no more than two shipping containers. The total of the length plus the girth of each shipping container shall not exceed 130 inches.

2.2.2.1.2 VEHICLE SIZE. The size of the vehicle is subject to the specifications in 2.2.1.1 and 2.2.2.1.1.

2.2.2.1.3 OCS SIZE. The size of the OCS is subject to the specifications in 2.2.2.1.1.

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2.2.2.2 WEIGHT.

2.2.2.2.1 SYSTEM WEIGHT. When the MTRS is stored in its shipping container(s), no shipping container shall weigh more than 150 pounds. The maximum weight of the system (including the shipping containers) shall therefore be no greater than 300 pounds, given that a maximum of two shipping containers are allowed as stated in 2.2.2.1.1. The desired weight for each shipping container is no more than 84 pounds.

2.2.2.2.2 VEHICLE WEIGHT. The weight of the vehicle is subject to the specifications in 2.2.1.5.1 and 2.2.2.2.1.

2.2.2.2.3 OCS WEIGHT. The weight of the OCS is subject to the specifications in 2.2.1.5.1 and 2.2.2.2.1.

2.2.3 INTERFACE REQUIREMENTS.

2.2.3.1 RS-232 DATA INTERFACE. The vehicle shall have two accessible RS-232 data ports.

2.2.3.2 UNIVERSAL SERIAL BUS (USB) INTERFACE. The vehicle shall have one accessible Universal Serial Bus data port.

2.2.3.3 POWER.

2.2.3.3.1 OCS POWER. The OCS shall be capable of being powered by 120 VAC 60 Hz.

2.2.3.3.2 BATTERY CHARGERS. Any battery chargers used in the MTRS shall be capable of being powered from 120 VAC 60 Hz and 240 VAC 50 Hz.

2.2.4 ENVIRONMENTAL CONDITIONS.

2.2.4.1 STORAGE TEMPERATURE. The MTRS, with the exception of batteries and the OCS, shall perform satisfactorily after being stored in temperatures from -40 degrees F (-40 degrees C) to +160 degrees F (+71 degrees C). The OCS shall perform satisfactorily after being stored in temperatures from +32 degrees F (0 degrees C) to +110 degrees F (+43 degrees C). Any batteries used in the MTRS shall withstand storage temperatures of -4 degrees F (-20 degrees C) to +140 degrees F (+60 degrees C).

2.2.4.2 OPERATIONAL TEMPERATURE. The MTRS, with the exception of the OCS, shall perform satisfactorily in a temperature range of +20 degrees F (-7 degrees C) to +122 degrees F (+50 degrees C). The OCS shall perform satisfactorily in a temperature range of +40 degrees F (+4 degrees C) to +104 degrees F (+40 degrees C).

2.2.4.3 OPERATION/SURVIVABILITY IN NUCLEAR, BIOLOGICAL, AND CHEMICAL (NBC) ENVIRONMENTS. The MTRS shall be operable in NBC environments by operators in Mission Oriented Protective Posture (MOPP) Level IV. The vehicle and shipping/storage containers shall cost-effectively survive decontamination with household bleach and hot soapy water.

2.2.4.4 OPERATION IN WIND AND RAIN. The vehicle shall perform satisfactorily when being operated in winds up to 7 knots and rain at rates up to 0.2 inches per hour.

2.2.5 TRANSPORTABILITY.

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2.2.5.1 TRANSPORTATION VIBRATION. The MTRS shall suffer no damage and shall perform satisfactorily after being exposed (while in its shipping containers) to vibration conditions that may be encountered during transportation over highways and secondary and tertiary roads, as well as during transportation by aircraft, ships, and trains.

2.2.5.2 TRANSPORTATION SHOCK. The MTRS shall suffer no damage and shall perform satisfactorily after being exposed to shock that may be encountered during transportation.

2.2.6 DESIGN, CONSTRUCTION, AND WORKMANSHIP STANDARDS. Best commercial standards shall be followed.

2.2.7 IDENTIFICATION AND MARKING. Each shipping container shall be permanently marked with the following:

Nomenclature (when assigned by the Government)
Name of manufacturer
Serial number
Contract number
Indication of warranty
Expiration date of warranty
Manufacturer's telephone number

2.2.8 SAFETY.

2.2.8.1 BATTERY LEAKAGE. Any batteries used in the MTRS shall not leak when the system is operated, stored, or transported.

2.2.8.2 FIRING CIRCUIT. The design of the firing circuit shall be such that a mishap requires at least three independent failures, or three independent human errors, or a combination of three independent failures and human errors in order to occur.

3. QUALITY ASSURANCE PROVISIONS

Quality assurance is the responsibility of the contractor and shall be in accordance with the contractor's standard commercial practices. The Government reserves the right to witness or separately perform any or all quality tests and inspections.

4. PACKAGING

The MTRS shall be packaged and shipped in its shipping containers (see 2.2.2.1.1) in accordance with best commercial practices.

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5. NOTES

5.1 ABBREVIATIONS.

degrees C	Degrees Celsius
degrees F	Degrees Fahrenheit
EOD	Explosive Ordnance Disposal
Hz	Hertz
IED	Improvised Explosive Device
JAUGS	Joint Architecture for Unmanned Ground Systems
MCMTOMF	Mean Corrective Maintenance Time for Operational Mission Failures
MHZ	Megahertz
MOPP	Mission Oriented Protective Posture
MTBOMF	Mean Time Between Operational Mission Failures
MTRS	Man Transportable Robotic System
NBC	Nuclear, biological, and chemical
OCS	Operator Control Station
USB	Universal Serial Bus
UXO	Unexploded Ordnance
VAC	Volts Alternating Current

5.2 EOD MISSION. The EOD mission is to eliminate hazards from ordnance (including IEDs) which jeopardize operations conducted in support of national military strategy by providing specially trained, combat ready, and highly mobile forces. As the only military force trained for this mission, EOD personnel must be prepared to deal rapidly with land, sea, and air threats from conventional, special (nuclear, biological, and chemical) and unconventional ordnance. The MTRS will be used in reconnaissance operations conducted by Department of Defense EOD technicians.

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ATTACHMENT B

FIRM FIXED PRICE SUPPLY CONTRACT WITH PROVISIONS FOR MAINTENANCE OR ACCEPTANCE TESTING CRITERIA OR OTHER PROVISIONS WHICH REQUIRE UNUSUAL MONITORING AND A COR

CONTRACT ADMINISTRATION PLAN
CONTRACT NO. N00174

In order to expedite administration of this contract, the following delineation of duties is provided. The individual/position designated as having responsibility should be contacted for any questions, clarifications, or information regarding the functions assigned.

1. PROCURING CONTRACTING OFFICER (PCO) is responsible for:

- a. All pre-award information, questions, or data
- b. Freedom of Information inquiries
- c. Change/questions/information regarding the scope, terms, or conditions of the basic contract document
- d. Arranging the post award conference
- e. Monitoring the COR
- f. Meeting annually with COR to review contract performance (joint responsibility of the COR). This may be satisfied telephonically, depending on the circumstances.

Other _____

2. CONTRACT ADMINISTRATION OFFICE (CAO) is responsible for matters specified in FAR 42.302 and DFARS 242.302 except in those areas otherwise designated herein.

3. PAYING OFFICE is responsible for payment of approved proper invoices after acceptance is documented.

4. CONTRACTING OFFICER'S REPRESENTATIVE (COR) is responsible for:

- a. Controlling all government technical interface with the contractor and providing technical advice and clarifications of the specifications/statement of work.
- b. Providing copies of all government/contractor technical correspondence to the PCO.
- c. Promptly furnishing the PCO with documentation/comment on any request for change, deviation or waiver (whether generated by the government or the contractor).
- d. Assuring that equipment is delivered on time, and promptly notifying the PCO if any contractor delay in delivery is experienced.
- e. If applicable, coordination of site preparation and installation to the extent specified in the contract as the government's responsibility.
- f. Quality assurance, inspection and acceptances of supplies, or services (if applicable).
- g. If applicable, monitoring standard of performance testing or effectiveness level acceptance criteria.
- h. If applicable, monitoring of credits, such as downtime credits for maintenance if provided for in the contract, and making appropriate adjustments on contractor reimbursement.

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- i. Promptly reviewing the contractor's invoices for goods/services received and accepted, to assure that they conform to the contract pricing. Improper invoices shall be returned immediately to the contractor. Proper correct invoices and/or DD250's, as applicable shall be approved and forwarded to the paying office.
- j. Maintain a COR file of all correspondence with the PCO and contractor and copies of all invoices.
- k. Meeting annually with the PCO to review contract performance, this may be satisfied telephonically, depending upon the circumstances.
- l. Complying with SECNAVINST 4200.27A, "Proper Use of Contractor Personnel," NAVSEAINST 4200.17B and SECNAVINST 4205.5 "Contracting Officer's Technical Representative" and the Contracting Officer's COR Appointment Letter.
- m. Submission of written report on contractor performance within 60 days of contract completion, but not less often than annually.
- n. Anticipating and submitting requests for follow-on contract requirements in sufficient time to allow for award prior to the expiration of this contract.
- o. Contract Performance Assessment System (CPARS).

(X) This contract WILL be registered in the CPARS database by the Contracts Division with the assistance of the COR. As stated in the COR appointment letter the COR is responsible for updating the CPARS database.

() CPARS does NOT apply to this contract.

Other: _____

 NAMES/ADDRESS/TELEPHONE NUMBERS OF COGNIZANT INDIVIDUAL/OFFICE

COR_Byron Brezina 50 301-744-6850, x255
 NAME CODE TELEPHONE

PCO (refer to Contracting Officer who signed contract documents)
 Renee M. Brown I 143E 301-744-6653
 CODE TELEPHONE

PAYING OFFICE (refer to page one of the contract document)
 CAO (refer to page one of the contract document)

NSN 7540-01-152-8057

50336-101

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AMENDMENT OF SOLICITATION /MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO. _____

3. EFFECTIVE DATE _____

4. REQUISITION/PURCHASE REQ. NO.

7575042861074

5. PROJECT NO. (If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE
ATTN: JESSICA MADDOX 113L
JESSICA.MADDOX@NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE,
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0004

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.

IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)
MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
Modification Control Number: kgak38051151

The purpose of this modification is to extend the period of performance of the subject contract task order at no cost to either party. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)
JUDITH BLINN
CONTRACTS MANAGER

15B. CONTRACTOR/OFFEROR

/s/ Judith Blinn

(Signature of person authorized to sign)

15C. DATE SIGNED

05 July 2005

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

TEL: _____ EMAIL: _____

16B. UNITED STATES OF AMERICA

BY _____
(Signature of Contracting Officer)

16C. DATE SIGNED

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. The period of performance of CLIN 0015 on the subject contract task order is hereby extended from 21 February 2005 to 30 April 2005 at no cost to either party.
2. Work under the subject CLIN was not completed until 30 April 2005.
3. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above change to the contract task order. The parties agree that no such adjustment is warranted. The contractor waives all right, title, and interest, if any, to further equitable adjustments arising under this modification.
4. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO. _____

3. EFFECTIVE DATE _____

4. REQUISITION/PURCHASE REQ. NO. _____

5. PROJECT NO. (If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE
ATTN: JESSICA D.MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.

IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)
MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings,

including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak380548

The purpose of this modification is to make changes to the ceilings of CLINs 0009 and 0015, See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)
JUDITH BLINN
CONTRACTS MANAGER

15B. CONTRACTOR/OFFEROR

/s/ Judith Blinn

(Signature of person authorized to sign)

15C. DATE SIGNED

15 oct 04

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

TEL: _____ EMAIL: _____

16B. UNITED STATES OF AMERICA

BY _____
(Signature of Contracting Officer)

16C. DATE SIGNED _____

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. The ceiling of CLIN 0009, Engineering Services, is hereby decreased as follows:

From: \$35,000.00

By: \$8,690.00

To: \$26,310.00

2. The ceiling of CLIN 0015, Engineering Services, is hereby increased as follows:

From: \$90,000.00

By: \$8,690.00

To: \$98,690.00

3. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above changes to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title, and interest, if any, to further equitable adjustments arising under this modification.

4. All other terms and conditions remain unchanged.
5. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

02

3. EFFECTIVE DATE

07-Sep-2004

4. REQUISITION/PURCHASE REQ. NO. _____

7575041185769

5. PROJECT NO.(If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA D.MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (if other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0003

[X] 10B. DATED (SEE ITEM 13)

30-Apr-2004

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
SEE SCHEDULE

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.

IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)

MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak38041489

The purpose of this modification is to deobligate \$25,000.00 from the subject contract delivery order. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)_____

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED_____

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN/CONTRACTS

TEL: 301/7446653 EMAIL: brownm@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY /s/ Renee M. Brown

(Signature of Contracting Officer)

16C. DATE SIGNED

07-Sep-2004

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. CLIN 0015 is hereby removed from the subject contract delivery order.
2. As a result of the above, the total value of the subject delivery order is hereby decreased as follows:

 From: \$248,867.00
 By: \$25,000.00
 To: \$223,867.00
3. The line of accounting identified by ACRN AA is hereby decreased as follows:

 AA 1741319.8998 260 0464A 0 068892 2D Q03297 0464A485128T
 DECREASE: \$25,000.00
4. All other terms and conditions remain unchanged.
5. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO. _____

3. EFFECTIVE DATE _____

4. REQUISITION/PURCHASE REQ. NO.

7575041185769

5. PROJECT NO.(If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA D. MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0003

[X] 10B. DATED (SEE ITEM 13)

30-Apr-2004

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

SEE SCHEDULE

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.

IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)

MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak38041489

The purpose of this modification is to deobligate \$25,000.00 from the subject contract delivery order. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

R.L. Moses Director of Operations

15B. CONTRACTOR/OFFEROR

/s/ R. L. Moses

(Signature of person authorized to sign)

15C. DATE SIGNED

3-Sept-04

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

TEL: _____ EMAIL: _____

16B. UNITED STATES OF AMERICA

BY _____
(Signature of Contracting Officer)

16C. DATE SIGNED _____

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. CLIN 0015 is hereby removed from the subject contract delivery order.
2. As a result of the above, the total value of the subject delivery order is hereby decreased as follows:

 From: \$248,867.00
 By: \$25,000.00
 To: \$223,867.00
3. The line of accounting identified by ACRN AA is hereby decreased as follows:

 AA 1741319.8998 260 0464A 0 068892 2D Q03297 0464A485128T
 DECREASE: \$25,000.00
4. All other terms and conditions remain unchanged.
5. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

01

3. EFFECTIVE DATE

30-Aug-2004

4. REQUISITION/PURCHASE REQ. NO.

7575041185769

5. PROJECT NO.(If applicable)_____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA D.MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (if other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0003

[X] 10B. DATED (SEE ITEM 13)

30-Apr-2004

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY

OF:

[X] D. OTHER (Specify type of modification and authority) MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak38041385

The purpose of this modification is to make a change to the delivery schedule. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

R. L. Moses Director of Operations

15B. CONTRACTOR/OFFEROR

/s/ R. Moses

(Signature of person authorized to sign)

15C. DATE SIGNED

24-August-04

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN/CONTRACTS

TEL:301/744-6653 EMAIL: brownm@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY /s/ Renee M. Brown

(Signature of Contracting Officer)

16C. DATE SIGNED

30-Aug-2004

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. The purpose of this modification is to make a change to the delivery schedule of CLIN 0010 at no cost to either party.
2. The delivery date for CLIN 0010, Production Representative Models (PRMs) is hereby changed as follows:

From: 90 days after receipt of order
To: 95 days after receipt of order
3. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above change to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title, and interest, if any, to further equitable adjustments arising under this modification.
4. All other terms and conditions remain unchanged.
5. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

P00007

3. EFFECTIVE DATE

02-Jun-2004

4. REQUISITION/PURCHASE REQ. NO. _____

5. PROJECT NO.(If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA D. MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOTCORP
DAVEADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-OCT-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

- [X] D. OTHER (Specify type of modification and authority)
MUTUAL AGREEMENT OF BOTH PARTIES
- E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak38041040

The purpose of this modification is to make changes to the ceilings of CLINs 0009 and 0015. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

/s/ M. David Adler, Sr. Vice President

15B. CONTRACTOR/OFFEROR

/s/ M. David Adler

(Signature of person authorized to sign)

15C. DATE SIGNED

June 2, 2004

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN/CONTRACTS

TEL: 301/744-6653

EMAIL: brownrm@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY: /s/ RENEE M. BROWN

(Signature of Contracting Officer)

16C. DATE SIGNED

02-JUN-2004

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. The ceiling of CLIN 0009, Engineering Services, is hereby decreased as follows:

From: \$100,000.00 NTE
By: \$65,000.00
To: \$35,000.00 NTE

2. The ceiling of CLIN 0015, Engineering Services, is hereby increased as follows:

From: \$25,000.00 NTE
By: \$65,000.00
To: \$90,000.00 NTE

3. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above changes to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title, and interest, if any, to further equitable adjustments arising under this modification.

4. All other terms and conditions remain unchanged.

5. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

P00006

3. EFFECTIVE DATE

28-Apr-2004

4. REQUISITION/PURCHASE REQ. NO. _____

5. PROJECT NO.(If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA D. MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #8073380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

- A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
- B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 41.103(B).
- C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)
MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak3804854

The purpose of this modification is to make changes to Section J, Performance Specification. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED _____

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN / CONTRACTS

TEL- 301/744-6653 EMAIL: brownrm@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY /s/ RENEE M. BROWN

(Signature of Contracting Officer)

16C. DATE SIGNED

28-APR-2004

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. Section 2.2.1.4.2 of the Performance Specification is hereby changed as follows:

From:

2.2.1.4.2 CABLED MODE. When being operated in cabled mode (e.g. fiber optic, coaxial, multi-conductor), the maximum amount of cable that can be deployed between the vehicle and the OCS shall be no less than 200 meters. The desired maximum amount of cable is 500 meters. An indication shall be provided to warn the operator when 20 meters of cable or less remains to be payed out. A conspicuous marking of the cable that can be viewed with a vehicle camera is a sufficient indication. THE CABLE SHALL BE STORED ON THE VEHICLE AND BE CAPABLE OF PAYING OUT FREELY FROM THE VEHICLE. A self-reeling mechanism for cable retrieval located on the vehicle that can be controlled from the OCS during a mission is desired. If such a self-reeling mechanism is not provided on the vehicle, then a manual or powered reeling mechanism shall be provided at the OCS to facilitate the retrieval of cable during a mission. A means to facilitate the manual retrieval of cable onto the vehicle after a mission shall be provided. The capability to lower, lift, and drag the vehicle by the cable (without damaging the cable) is desired.

To:

2.2.1.4.2 CABLED MODE. When being operated in cabled mode (e.g. fiber optic, coaxial, multi-conductor), the maximum amount of cable that can be deployed between the vehicle and the OCS shall be no less than 200 meters. The desired maximum amount of cable is 500 meters. An indication shall be provided to warn the operator when 20 meters of cable or less remains to be payed out. A conspicuous marking of the cable that can be viewed with a vehicle camera is a sufficient indication. NO LESS THAN 150 METERS OF CABLE SHALL BE STORED ON THE VEHICLE AND BE CAPABLE OF PAYING OUT FREELY FROM THE VEHICLE. HAVING ALL OF THE CABLE STORED ON THE VEHICLE IS DESIRED. A self-reeling mechanism for cable retrieval located on the vehicle that can be controlled from the OCS during a mission is desired. If such a self-reeling mechanism is not provided on the vehicle, then a manual or powered reeling mechanism shall be provided at the OCS to facilitate the retrieval of cable during a mission. A means to facilitate the manual retrieval of cable onto the vehicle after a mission shall be provided. The capability to lower, lift, and drag the vehicle by the cable (without damaging the cable) is desired.

2. Section 2.2.1.5.1 of the Performance Specification is hereby changed as follows:

From:

2.2.1.5.1 MAN TRANSPORTABILITY. All components of the system necessary to conduct 2 two-hour missions (as outlined in 2.2.1.3 with one in wireless mode and one in cabled mode) shall weigh no more than 145 pounds and shall be capable of being transported a distance of 500 meters in semi-rugged terrain as one load by two personnel in one trip. The entire weight of the load shall be borne by the two personnel. A weight of no more than 75 pounds (vice 145 pounds) is desired. A load carrying apparatus that combines stretcher type handles and shoulder support is recommended, but not required, to facilitate transporting the load. Any load carrying apparatus shall be considered to be part of the system and the weight of such apparatus shall be included in the 145 pound weight limit. Any modular vehicle mobility aids shall also be included in the 145 pound weight limit. The load carrying apparatus, if provided, shall be capable of supporting 160

pounds (which includes the weight of the apparatus itself) to allow for an additional 15 pounds of weight associated with future system upgrades.

To:

2.2.1.5.1 MAN TRANSPORTABILITY. All components of the system necessary to conduct 2 two-hour missions (as outlined in 2.2.1.3 with one in wireless mode and one in cabled mode) shall weigh no more than 175 pounds and shall be capable of being transported a distance of 500 meters in semi-rugged terrain as one load by two personnel in one trip. The entire weight of the load shall be borne by the two personnel. A weight of no more than 75 pounds (vice 175 pounds) is desired. A load carrying apparatus that combines stretcher type handles and shoulder support is recommended, but not required, to facilitate transporting the load. Any load carrying apparatus shall be considered to be part of the system and the weight of such apparatus shall be included in the 175 pound weight limit. Any modular vehicle mobility aids shall also be included in the 175 pound weight limit. The load carrying apparatus, if provided, shall be capable of supporting 190 pounds (which includes the weight of the apparatus itself) to allow for an additional 15 pounds of weight associated with future system upgrades.

3. Section 2.2.1.14 of the Performance Specification is hereby changed as follows:

From:

2.2.1.14 FIRING CIRCUIT. The MTRS shall contain a safety critical firing circuit that is capable of initiating electro-explosive devices such as squibs and blasting caps. The output of the firing circuit shall terminate in two suitable terminal posts in an accessible location on the vehicle. THE FIRING CIRCUIT SHALL BE CAPABLE OF PROVIDING NO LESS THAN 2.43 AMPERES OF DIRECT CURRENT. THE OUTPUT VOLTAGE OF THE FIRING CIRCUIT SHALL BE NO LESS THAN 14 VOLTS AND NO GREATER THAN 28 VOLTS. Functioning of the firing circuit shall require a unique sequence of events to be performed at the OCS by the operator. See 2.2.8.2.

To:

2.2.1.14 FIRING CIRCUIT. The MTRS shall contain a safety critical firing circuit that is capable of initiating electro-explosive devices such as squibs and blasting caps. The output of the firing circuit shall terminate in two suitable terminal posts in an accessible location on the vehicle. THE FIRING CIRCUIT SHALL BE CAPABLE OF PROVIDING NO LESS THAN 2.43 AMPERES OF DIRECT CURRENT FOR NO LESS THAN 2.7 SECONDS. THE OUTPUT VOLTAGE OF THE FIRING CIRCUIT SHALL BE NO LESS THAN 14.2 VOLTS AND NO GREATER THAN 28 VOLTS. Functioning of the firing circuit shall require a unique sequence of events to be performed at the OCS by the operator. See 2.2.8.2.

4. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above changes to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.

5. All other terms and conditions remain unchanged.
6. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

P00005

3. EFFECTIVE DATE

26-Feb-2004

4. REQUISITION/PURCHASE REQ. NO. _____

5. PROJECT NO.(If Applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE
ATTN: JESSICA D. MADDOX
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S3319A

DCMC BOSTON-MANCHESTER
2 WALL STREET
MANCHESTER NH 03101-1518

8. NAME AND ADDRESS OF CONTRACTOR (NO., Street, Country, State and Zip Code)

IROBOT CORP
DUNS 807380951
22 MCGRATH HWY SUITE 6
SOMERVILLE MA 02143

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

[X] B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [X] is not, [] is required to sign this document and return _____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: kgak3804570

The purpose of this modification is to incorporate clause IHD 6 into Section G of the subject contract. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER(Type or print)_____

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED_____

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

EDNA GIGON/CONTRACTS

TEL: 301/744-6682 EMAIL: gigonea@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY: /s/ EDNA A. GIGON

(Signature of Contracting Officer)

16C. DATE SIGNED

26-Feb-2004

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30(Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

CONTINUATION PAGE

1. Clause IHD 6 - Contract Points of Contact (NAVSEA/IHD) is hereby incorporated into Section G of the subject contract. The text of the clause is as follows:

IHD 6 CONTRACT POINTS OF CONTACT (NAVSEA/IHD)

The following contacts are provided for this contract:

Contract Administrator: Jessica D. Maddox
Phone Number: 301-744-6614
E-mail address: maddoxjd@ih.navy.mil

Payments/Invoicing: Geneva Wesley
Phone Number: 301-744-4840
E-mail address: wesleygm@ih.navy.mil

Technical Representative: Byron Brezina
Phone Number: 301-744-6850, x255
E-mail address: brezina@eodpoe2.navsea.navy.mil

Any concerns regarding your contract should be addressed to the above mentioned personnel or the Contracting Officer, Renee M. Brown, at 301-744-6653.

2. All other terms and conditions remain unchanged.
3. For additional information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

02

3. EFFECTIVE DATE

12-Dec-2003

4. REQUISITION/PURCHASE REQ. NO.

7575033165628

5. PROJECT NO. (IF APPLICABLE) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: DIANNE HUNTT 1143C
HUNTTDC@IH.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State, and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0002

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of offer [] is extend, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

[X] B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [X] is not, [] is required to sign this document and return_____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: pcaw3604267

The purpose of this modification is to change the Accounting and Appropriation Data under the subject contract delivery order in accordance with page 2.

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER(Type or print)

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)_____

RENEE M. BROWN/CONTRACTS

TEL: 301/744-6653

EMAIL: brownrm@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY: /s/ Renee M. Brown

(Signature of Contracting Officer)

16C. DATE SIGNED

12-Dec-2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30(Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

1. Delivery Order 0002, page 2, Accounting and Appropriation Data is changed to read as follows.

AA 1741319.8994 260 0464A 0 068892 2D Q00594 0464A445053T \$35,000.00
Req # 75750 3316 5628

2. Questions concerning this modification are to be directed to Dianne Huntt at 301-744-6195.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

01

3. EFFECTIVE DATE 26-NOV-2003

4. REQUISITION/PURCHASE REQ. NO. 7575033165628

5. PROJECT NO. (If applicable)

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: DIANNE HUNTT 1143C
HUNTTDC@IH.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS # 807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0002

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

[X] B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [X] is not, [] is required to sign this document and return _____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
Modification Control Number: pcaw 3604198

The purpose of this modification is to make a clerical correction to Delivery Order 0002, page 1, Total Amount, in accordance with page 2.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

15B CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN / CONTRACTS

TEL: 301/744-6653

EMAIL:brownrm@h.navy.mil

16B. UNITED STATES OF AMERICA

BY: /s/ RENEE M. BROWN

(Signature of Contracting Officer)

16C. DATE SIGNED

26-NOV-2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:

N00174-03-D-0003 00002 01

1. Delivery Order 0002, DD Form 1155, page 1, block 25, Total, is changed as follows:

DELETE: \$100,000.00

INSERT: \$ 35,000.00

2. Questions concerning this modification are to be directed to Dianne Huntt at 301-744-6195.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

3. EFFECTIVE DATE

4. REQUISITION/PURCHASE REQ. NO.

5. PROJECT NO.(If applicable)

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: DIANNE HUNTT 1143C
HUNTTDC@IH.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE
BURLINGTON MA 01803-4903

CODE 066R1

FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A MOD OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS : TEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 15. and returning _____ cop as of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO:(Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

[X] C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: mutual agreement

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: pcaw3604187

The purpose of this modification is to change the ordering period for Phase I in Section B and F of the subject contract in accordance with page 2.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as hereto fore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

M. David Adler, Sr. Vice President

15B. CONTRACT OR/OFFEROR

/s/ M. David Adler

(Signature of person authorized to sign)

15C. DATE SIGNED

NOV 25, 2003

16A. NAME AND TITLE OF CONTRACTING OFFICER(Type or print)

Tel: _____ EMAIL: _____

16B. UNITED STATES OF

BY _____
(Signature or Contracting Officer)

16C. DATE SIGNED

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR(48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:
N00174-03-D-0003 P4 IROBOT

1. Section B - Supplies or Services and Prices, Page 2, Phase I - PSVM, and Section F - Deliveries or Performance, page 24, Phase I ordering period is changed as follows:

Delete: from date of award until six (6) months after date of contract (ADC)

Insert: from date of award to fourteen (14) months after date of contract (ADC)
2. The parties have considered whether an equitable adjustment in the contract price or other terms and conditions of the contract is warranted by virtue of the above change to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.
3. Questions concerning this modification are to be directed to Dianne Hunt at 301-744-6195.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

P00004

3. EFFECTIVE DATE

26-Nov-2003

4. REQUISITION/PURCHASE REQ. NO. _____

5. PROJECT NO.(If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: DIANNE HUNTT 1143C
HUNTTDC@IH.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

10B. DATED (SEE ITEM 13)

[X] 29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date Specified for receipt of offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:
(a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTORS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

[X] C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: mutual agreement

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
Modification Control Number: pcaw 3604187

The purpose of this modification is to change the ordering period for Phase 1 in Section B and F of the subject contract in accordance with page 2.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) _____

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)
RENEE M. BROWN / CONTRACTS
TEL: 301/744-6653 EMAIL: brownm@ih.navy.mil

16B. UNITED STATES OF AMERICA

BY /s/ Renee M. Brown

(Signature of Contracting Officer)

16C. DATE SIGNED

26-Nov-2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

THE FOLLOWING ITEMS ARE APPLICABLE TO THIS MODIFICATION:
N00174-03-D-0003 P4 IROBOT

1. Section B - Supplies or Services and Prices, page 2, Phase I - PSVM, and Section F - Deliveries or Performance, page 24, Phase I ordering period is changed as follows:
 - Delete: from date of award until six (6) months after date of contract (ADC)
 - Insert: from date of award to fourteen (14) months after date of contract (ADC)
2. The parties have considered whether an equitable adjustment in the contract price or other terms and conditions of the contract is warranted by virtue of the above change to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.
3. Questions concerning this modification are to be directed to Dianne Huntt at 301-744-6195.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

2. AMENDMENT/MODIFICATION NO.

P00003

3. EFFECTIVE DATE

02-Jul-2003

4. REQUISITION/PURCHASE REQ. NO. _____

5. PROJECT NO.(If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: DANNE HUNTT 1143C
HUNTTDC@IH.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTORS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

[X] C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: FAR 52.243-1 CHANGES FIXED PRICE

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

THE PURPOSE OF THIS MODIFICATION IS TO MAKE A CHANGE TO THE PERFORMANCE SPECIFICATION UNDER THE SUBJECT CONTRACT IN ACCORDANCE WITH PAGE 2.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

15B. CONTRACTOR/OFFEROR

(Signature of Person authorized to Sign)

15C. DATE SIGNED _____

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)
DIANNE HUNTT / CONTRACTS

16B. UNITED STATES OF AMERICA

BY /s/ Dianne C. Huntt

(Signature of Contracting officer)

16C. DATE SIGNED
02-Jul-2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

1. Section J - List of Documents, Exhibits and Other Attachments, page 40, Attachment - A Performance Specification for Man Transportable Robotic System, Section 2.2.1.4.1- Wireless Mode, the following statement is hereby incorporated into this contract.

2.4. GHz "Non-Licensed" devices that comply with the regulations contained in Annex K of the National Telecommunications and Information Administration (NTIA) Manual of Regulations & Procedures for Federal Radio Frequency Management (January 2000 Edition). Annex K is titled "Technical Standards for Federal "Non-Licensed" Devices."
2. The parties have considered whether an equitable adjustment in the contract price or other terms and conditions of the contract are warranted by virtue of the above change to the contract. The parties agree no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

2. AMENDMENT/MODIFICATION NO.

P00003

3. EFFECTIVE DATE

Jul 02 2003

4. REQUISITION/PURCHASE REQ. NO.

5. PROJECT NO.(If applicable)

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: DIANNE HUNTT 1143C
HUNTTDC@IH.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended. [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted, or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

[X] C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: FAR 52.243-1 CHANGES FIXED PRICE

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document

and return 2 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

THE PURPOSE OF THIS MODIFICATION IS TO MAKE A CHANGE TO THE PERFORMANCE SPECIFICATION UNDER THE SUBJECT CONTRACT IN ACCORDANCE WITH PAGE 2.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

M. David Adler Sr. Vice President

15B. CONTRACTOR/OFFEROR

/s/ M. David Adler

(Signature of person authorized to sign)

15C. DATE SIGNED

July 1 2003

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

16B. UNITED STATES OF AMERICA

BY /s/ DIANNE C. HUNTT

(Signature of Contracting Officer)

16C. DATE SIGNED

02 JUL 2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

1. Section J - List of Documents, Exhibits and Other Attachments, page 40, Attachment - A Performance Specification for Man Transportable Robotic System. Section 2.2.1.4.1 - Wireless Mode, the following statement is hereby incorporated into this contract.

2.4, GHz "Non-Licensed" devices that comply with the regulations contained in Annex K of the National Telecommunications and Information Administration (NTIA) Manual of Regulations & Procedures for Federal Radio Frequency Management (January 2000 Edition). Annex K is titled "Technical Standards for Federal "Non-Licensed" Devices."
2. The parties have considered whether an equitable adjustment in the contract price or other terms and conditions of the contract are warranted by virtue of the above change to the contract. The parties agree no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1 . CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

01

3. EFFECTIVE DATE

07-Feb-2003

4. REQUISITION/PURCHASE REQ. NO.

PSVM PHASE - IROBOT

5. PROJECT NO.(If applicable)

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA MADDOX 11431 MADDOXJD@I
H.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003-0001

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

(a) By completing Items 8 and 15, and returning ____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D.OTHER (Specify type of modification and authority)

MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purpose of this modification is to make changes to the company's address, CAGE code, DUNS number, and assigned DCMA office of the subject contract. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN / CONTRACTS

16B. UNITED STATES OF AMERICA

BY /s/ [ILLEGIBLE]

(Signature of Contracting Officer)

16C. DATE SIGNED

07-Feb-2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

1. The address provided in block 9 of the DD Form 1155 is hereby revised as follows:

From: 37 Wilton Road Milford, NH 03055	To: 63 South Avenue Burlington, MA 01803-4903
---	--

2. The CAGE code provided in block 9 of the DD Form 1155 is hereby revised as follows:

From: 1BNT3 To: 066R1

3. The DUNS number provided in block 9 of the DD Form 1155 is hereby revised as follows:

From: 604499194 To: 807380951

4. The DCMA office shown in block 7 of the DD Form 1155 is hereby revised as follows:

From: DCMC Boston-Manchester 2 Wall Street Manchester, NH 03101-1518	To: DCMA Boston 495 Summer Street Boston, MA 02210-2138
--	---

5. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above changes to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.

6. All other terms and conditions remain unchanged.

7. For further information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

2. AMENDMENT/MODIFICATION NO.

P00002

3. EFFECTIVE DATE

07-Feb-2003

4. REQUISITION/PURCHASE REQ. NO.

5. PROJECT NO.(If applicable)

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA MADDOX 11431 MADDOXJD@I
H.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2138

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.

N00174-03-D-0003

[X] 10B. DATED (SEE ITEM 13)

29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer [] is extended, [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:
(a) By completing Items 8 and 15, and returning____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

[X] D. OTHER (Specify type of modification and authority)

MUTUAL AGREEMENT OF BOTH PARTIES

E. IMPORTANT: Contractor [] is not, [X] is required to sign this document

and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

The purpose of this modification is to make changes to the company's address, CAGE code, DUNS number, assigned DCMA office, Section B, and the Performance Specification of the subject contract. See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

15B. CONTRACTOR/OFFEROR

(Signature of person authorized to sign)

15C. DATE SIGNED

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN / CONTRACTS

16B. UNITED STATES OF AMERICA

BY /s/ Renee M. Brown

(Signature of Contracting Officer)

16C. DATE SIGNED

07-Feb-2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev. 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

1. The address provided in Section A, block 15A of the SF 33 is hereby revised as follows:

From: 37 Wilton Road Milford, NH 03055	To: 63 South Avenue Burlington, MA 01803-4903
---	--
2. The CAGE code provided in Section A, block 15A of the SF 33 is hereby revised as follows:

From: 1BNT3	To: 066R1
-------------	-----------
3. The DUNS number provided in Section A, block 15A of the SF33 is hereby revised as follows:

From: 604499194	To: 807380951
-----------------	---------------
4. The DCMA office shown in Section A, block 24 of the SF33 is hereby revised as follows:

From: DCMA Boston-Manchester 2 Wall Street Manchester, NH 03101-1518	To: DCMA Boston 495 Summer Street Boston, MA 02210-2138
--	---
5. The description provided for Phase II - PRM on page four (4) of the subject contract is hereby changed as follows:

From:

PHASE II - PRM

During Phase I, the Government is going to test the PSVMs to the Performance Specification for conformance. There may be some minor modifications that will be requested by the Government. The purpose of Phase II is to incorporate those changes. The contractor(s) will receive a Request for Quotation identifying the minor modifications that need to be made. Once the price has been determined reasonable, the Government will issue a fixed price order(s). The Government will utilize the Not to Exceed CLIN 0012 for the modifications. If the Government does not want change from Phase I, the Phase II will not be funded. It is also possible that Phase II will only be funded for one (1) contractor. Phase II includes CLINS 0011 through 0016 and the ordering period for Phase II shall be from eighteen (18) months after date of contract (ADC) through twenty-four (24) months ADC.

To:

PHASE II - PRM

During Phase I, the Government is going to test the PSVMs to the Performance Specification for conformance. There may be some minor modifications that will be requested by the Government. The purpose of Phase II is to incorporate those changes. The contractor(s) will receive a Request for Quotation identifying the minor modifications that need to be made. Once the price has been determined reasonable, the Government will issue a fixed price order(s). The Government will utilize the Not to Exceed CLIN 0011 for the modifications. If the Government does not want change from Phase I, the Phase II will not be funded. It is also possible that Phase II will only be funded for one (1) contractor. Phase II includes CLINS 0010 THROUGH 0015 and the ordering

period for Phase II shall be from eighteen (18) months after date of contract (ADC) through twenty-four (24) months ADC.

6. The description provided for Phase III - Production on page six (6) of the subject contract is hereby changed as follows:

From:

PHASE III - PRODUCTION

Phase III is for production. Only one contractor will be funded for the Production phase. At contract award, the contractor shall provide an estimated unit price. Prior to entering into Phase III, the Government will issue a Request for Proposal (RFP) to the contractor(s). The RFP will request the contractor to provide their final production unit costs based on the final system configuration agreed upon in Phase II or Phase I should the Government decide not to fund Phase II. The offeror who offers the lowest unit price will be funded for the production phase. Phase III includes CLINs 0017 through 0025 and the ordering period for Phase III shall be from twenty-eight (28) months after date of contract (ADC) through ten (10) years ADC.

To:

PHASE III - PRODUCTION

Phase III is for production. Only one contractor will be funded for the Production phase. At contract award, the contractor shall provide an estimated unit price. Prior to entering into Phase III, the Government will issue a Request for Proposal (RFP) to the contractor(s). The RFP will request the contractor to provide their final production unit costs based on the final system configuration agreed upon in Phase II or Phase I should the Government decide not to fund Phase II. The offeror who offers the lowest unit price will be funded for the production phase. Phase III includes CLINs 0016 THROUGH 0025 and the ordering period for Phase III shall be from twenty-eight (28) months after date of contract (ADC) through ten (10) years ADC.

7. The description for Phase III - Production found at the end of page eight (8) of the subject contract is hereby deleted.
8. CLIN 0016 found at the top of page nine (9) of the subject contract is hereby deleted. CLIN 0016 found on page six (6) of the subject contract remains unchanged.
9. Page 45 of the subject contract, Performance Specification section 2.2.1.10 is hereby changed as follows:

From:

"However, all camera views provided shall be able to be viewed simultaneously at the OCS and at least one vehicle camera shall have the following characteristics:..."

To:

"The capability for all camera views provided to be viewed simultaneously at the OCS is desired. At least one vehicle camera shall have the following characteristics:..."

10. Page 46 of the subject contract, Performance Specification section 2.2.1.13 is hereby changed as follows:

From:

"JOINT ARCHITECTURE FOR UNMANNED GROUND SYSTEMS (JAUGS). The MTRS shall comply with the Joint Architecture for Unmanned Ground Systems Reference Architecture Specification

version 2.0."

To:

"JOINT ARCHITECTURE FOR UNMANNED SYSTEMS (JAUS). The messaging (communication) between the vehicle and the OCS shall comply with the Joint Architecture for Unmanned Systems Reference Architecture Specification version 3.0."

11. Contractor's Statement of Release:

The parties have considered whether an equitable adjustment in the contract price, delivery schedule, or other terms and conditions of the contract is warranted by virtue of the above changes to the contract. The parties agree that no such adjustment is warranted. The contractor waives all right, title and interest, if any, to further equitable adjustments arising under this modification.

12. Modification P00001 was never issued.

13. All other terms and conditions remain unchanged.

14. For further information, contact Jessica Maddox at 301-744-6614.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

J

2. AMENDMENT/MODIFICATION NO.

01

3. EFFECTIVE DATE

07 - FEB - 2003

4. REQUISITION/PURCHASE REQ. NO.

PSVM PHASE - IROBOT

5. PROJECT NO, (If applicable) _____

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA MADDOX 1143L MADDOXJD@1
H.NAVY.MIL
INDIAN HEAD MD 20640-5035

7. ADMINISTERED BY (If other than item 6) CODE S2206A

DCMC BOSTON
495 SUMMER STREET
BOSTON MA 02210-2136

8. NAME AND ADDRESS OF CONTRACTOR (No., Street, County, State and Zip Code)

IROBOT CORP
DAVE ADLER
DUNS #807380951
63 SOUTH AVE.
BURLINGTON MA 01803-4903

CODE 066R1 FACILITY CODE _____

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED (SEE ITEM 11)

[X] 10A. MOD. OF CONTRACT/ORDER NO.
N00174-03-D-0003-0001

[X] 10B. DATED (SEE ITEM 13)
29-Oct-2002

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

[] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified in receipt of offer. [] is extended. [] is not extended.

Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods; (a) By completing Items 8 and 15, and returning _____ copies of the Amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegarm which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

- A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
- B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).
- C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

- [X] D. OTHER (Specify type of modification and authority)
MUTUAL AGREEMENT OF BOTH PARTIES
- E. IMPORTANT: Contractor [] is not , [x] is required to sign this document and return 1 Copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.

The purpose of this modifications is to make changes to the company's address, CAGE code, DUNS number, and assigned DCMA office of the subject contract See page 2 for details.

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)
M. David Adler, Sr. Vice President

15B. CONTRACTOR/OFFEROR

/s/ M. David Adler

(Signature of person authorized to sign)

15C. DATE SIGNED

Jan 30, 2003

16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)

RENEE M. BROWN

16B. UNITED STATES OF AMERICA

By /s/ RENEE M. BROWN

(Signature of Contracting Officer)

16C. DATE SIGNED

07 FEB 2003

EXCEPTION TO SF 30
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (Rev, 10-83)
Prescribed by GSA
FAR (48 CFR) 53.243

ORDER FOR SUPPLIES OR SERVICES

1. CONTRACT/PURCH. ORDER/
AGREEMENT NO.
N00174-03-D-0003

2. DELIVERY ORDER/ CALL NO.
0001

3. DATE OF ORDER/CALL
2002 Oct 29

4. REQ./PURCH. REQUEST NO.
PSVM PHASE - IROBOT

5. PRIORITY

6. ISSUED BY CODE N00174

NAVSEA INDIAN HEAD
101 STRAUSS AVE.
ATTN: JESSICA MADDOX 11431 MADDOXJD@IH.NAVY.MIL

INDIAN HEAD, MD 20640-5035

7. ADMINISTERED BY (if other than 6) CODE S3319A

DCMC BOSTON-MANCHESTER

2 WALL STREET

MANCHESTER, NH 03101-1518

8. DELIVERY FOB
 DEST
 OTHER

(See Schedule if other)

9. CONTRACTOR CODE 1BNT3 FACILITY _____

IROBOT CORP
ATTN GRINNELL MORE
DUNS #604499194
37 WILTON ROAD

MILFORD, NH 03055

10. DELIVER TO FOR POINT BY (Date)

SEE SCHEDULE

11. MARK IF BUSINESS is
 SMALL
 SMALL DISADVANTAGED
 WOMEN-OWNED

12. DISCOUNT TERMS

13. MAIL INVOICES TO THE ADDRESS IN BLOCK

See Item 15

14. SHIP TO CODE _____

SEE SCHEDULE
ATTN:

15. PAYMENT WILL BE MADE BY CODE HQ0337

DFAS-COLUMBUS CENTER
NORTH ENTITLEMENT OPERATION P O BOX 182266

COLUMBUS, OH 43218-2266

MARK ALL PACKAGES AND PAPERS WITH IDENTIFICATION NUMBERS IN BLOCKS 1 AND 2.

16. TYPE OF ORDER

DELIVERY/CALL

PURCHASE

This delivery order/call is issued on another Govt. agency or in
accordance with and subject to terms and conditions of above numbered
contract.

Reference your quote dated

Furnish the following on terms specified herein.

ACCEPTANCE. THE CONTRACTOR HEREBY ACCEPTS THE OFFER REPRESENTED BY THE NUMBERED PURCHASE ORDER AS IT MAY PREVIOUSLY HAVE BEEN OR IS NOW MODIFIED, SUBJECT TO ALL OF THE TERMS AND CONDITIONS SET FORTH, AND AGREES TO PERFORM THE SAME.

NAME OF CONTRACTOR

SIGNATURE

TYPED NAME AND TITLE

DATE SIGNED
(YYYYMMDD)

[] If this box is marked, supplier must sign Acceptance and return the following number of copies:

17. ACCOUNTING AND APPROPRIATION DATA/LOCAL USE

SEE SCHEDULE

18. ITEM NO.

19. SCHEDULE OF SUPPLIES/SERVICES

20. QUANTITY ORDERED/ACCEPTED*

21. UNIT

22. UNIT PRICE

23. AMOUNT

SEE SCHEDULE

* If quantity accepted by the Government is same as quantity ordered, indicate by X. If different, enter actual quantity accepted below quantity ordered and encircle

24. UNITED STATES OF AMERICA

/s/ Renee M. Brown

BY: Renee M. Brown CONTRACTING/ORDERING OFFICER

25. TOTAL \$220,420.00

26. QUANTITY IN COLUMN 20 HAS BEEN

[] INSPECTED [] RECEIVED [] ACCEPTED, AND CONFORMS TO THE CONTRACT EXCEPT AS NOTED

DATE

SIGNATURE OF AUTHORIZED GOVT. RFP.

27. SHIP NO.

[] PARTIAL

[] FINAL

28. DO VOUCHER NO.

29. DIFFERENCES _____

30. INITIALS _____

31. PAYMENT

[] COMPLETE

[] PARTIAL

[] FINAL

32. PAID BY

33. AMOUNT VERIFIED CORRECT FOR

34. CHECK NUMBER

35. BILL OF LADING NO.

36. I certify this account is correct and proper for payment.

DATE

SIGNATURE AND TITLE OF CERTIFYING OFFICER

37. RECEIVED AT

38. RECEIVED BY

39. DATE RECEIVED
(YYYYMMDD)

40. TOTAL CONTAINERS

41. S/R ACCOUNT NO.

42. S/R VOUCHER NO.

DD FORM 1155, JAN 1998 (EG)

PREVIOUS EDITION MAY BE USED.

NAME OF OFFEROR OR CONTRACTOR
 IROBOT CORP

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0001	Performance Specification Verification Models (PSVM) in accordance with the Statement of Work and Performance Specification.	2.00	Each	\$89,400.00	\$178,800.00
0002	Post Award Conference in accordance with paragraph 2.2.2.1 of the Statement of Work.				\$ NSP
0003	Project Reviews in accordance with paragraph 2.2.2.2 of the Statement of Work.				\$ NSP
0004	Monthly Status Reports in accordance with paragraph 2.2.3 of the Statement of Work.	1.00	Lot	\$10,500.00	\$ 10,500.00
0005	Safety Assessment Report in accordance with paragraph 2.2.4 of the Statement of Work and MIL-STD-882D.	1.00	Lot	\$16,000.00	\$ 16,000.00
0007	Operation and Maintenance Source Data in accordance with paragraph 2.2.6 of the Statement of Work.	1.00	Lot	\$11,520.00	\$11 ,520.00
0008	Training in accordance with paragraph 2.2.7.1 of the Statement of Work.	1.00	Lot	\$ 3,600.00	\$ 3,600.00

THIS ORDER HEREBY FULFILLS THE GOVERNMENT'S GUARANTEED MINIMUM EXCEPT FOR ORDERS THAT MAY BE PLACED AGAINST CLIN 0009 ON AN AS NEEDED BASIS.

NSN 7540-01-152-8057

50336-101

OPTIONAL FORM 336A (4-86)
 Sponsored by GSA
 FAR (48 CFR) 53.110

NAME OF OFFEROR OR CONTRACTOR
 IROBOT CORP

INSPECTION AND ACCEPTANCE TERMS

Supplies/services will be inspected/accepted at:

CLIN	INSPECT AT	INSPECT BY	ACCEPT AT	ACCEPT BY
ALL	DESTINATION	GOVERNMENT	DESTINATION	GOVERNMENT

DELIVERY INFORMATION

CLINS	DELIVERY DATE	UNIT OF ISSUE	QUANTITY	FOB	SHIP TO ADDRESS
-----	-----	-----	-----	-----	-----
0001	270 DAYS	Each	2	Dest.	NAVEODTECHDIV ATTN: BYRON BREZINA 2008 STUMP NECK ROAD, BUILDING 2172 INDIAH HEAD, MD. 20640
0002	15 DAYS	Lot			SAME AS CLIN 0001
0003	At least 2 weeks prior to the delivery of CLIN 0001	Lot			SAME AS CLIN 0001
0004	45 DAYS	Lot	1	Dest.	SAME AS CLIN 0001
0005	120 DAYS	Lot	1	Dest.	SAME AS CLIN 0001
0007	270 DAYS	Lot	1	Dest.	SAME AS CLIN 0001
0008	270 DAYS	Lot	1	Dest.	SAME AS CLIN 0001

ACCOUNTING AND APPROPRIATION DATA

AA: 1731319.8998 250 0464A 0 068892 2D Q00288 0464A395206Q \$220,420.00

NSN 7540-01-152-8057 50336-101 OPTIONAL FORM 336A (4-86)
 Sponsored by GSA
 FAR (48 CFR) 53.110

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated May 4, 2005, except for Note 17, as to which the date is May 26, 2005 relating to the financial statements of iRobot Corporation, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
July 27, 2005

Edward A. King
Goodwin Procter LLP
Exchange Place
BOSTON, MA 02109
617 570-1346
617 523-1231 fax
eking@goodwinprocter.com

July 27, 2005

BY ELECTRONIC SUBMISSION

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549

Re: iRobot Corporation
Registration Statement on Form S-1

Ladies and Gentlemen:

Submitted herewith for filing on behalf of iRobot Corporation (the "Company") is a Registration Statement on Form S-1 relating to the registration under the Securities Act of 1933, as amended (the "Securities Act") of shares of Common Stock of the Company.

This filing is being effected by direct transmission to the Commission's EDGAR System. On July 26, 2005, in anticipation of this filing, the Company caused the filing fee of \$13,536 to be wire transferred to the Commission's account at the Mellon Bank in Pittsburgh.

The Registration Statement relates to the Company's initial public offering of securities. It is the intent of the Company and the managing underwriters of the proposed offering to have the Registration Statement declared effective as early as possible.

Acceleration requests may be made orally, and the Company and the managing underwriters of the proposed offering have authorized us to represent on their behalf that they are aware of their obligations under the Securities Act with respect thereto.

July 27, 2005
Page 2

Please contact the undersigned or Mark T. Bettencourt at 617-570-1091 with any questions or comments you may have regarding this filing.

Very truly yours,

/s/ Edward A. King

Edward A. King