

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED **June 30, 2007**

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER **000-51598**

iROBOT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

63 South Avenue
Burlington, MA 01803
(Address of principal executive offices)
(Zip code)

(781) 345-0200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the Registrant's Common Stock as of July 28, 2007 was 24,333,769.

iROBOT CORPORATION
FORM 10-Q
THREE AND SIX MONTHS ENDED June 30, 2007
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The accompanying notes are an integral part of the consolidated financial statements.

iROBOT CORPORATION
Consolidated Balance Sheets
(in thousands)

	June 30, 2007	December 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,261	\$ 5,583
Short-term investments	60,000	64,800
Accounts receivable, net of allowance of \$65 and \$163 at June 30, 2007 and December 30, 2006, respectively	17,679	28,510
Unbilled revenue	1,489	1,961
Inventory, net	22,008	20,890
Other current assets	1,980	2,863
Total current assets	113,417	124,607
Property and equipment, net	12,128	10,701
Total assets	\$ 125,545	\$ 135,308
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 27,106	\$ 27,685
Accrued expenses	4,999	7,020
Accrued compensation	5,513	5,227
Deferred revenue	1,914	457
Total current liabilities	39,532	40,389
Commitments and contingencies (Note 8):		
Redeemable convertible preferred stock, 5,000 shares authorized and zero outstanding at June 30, 2007 and December 30, 2006	—	—
Common stock, \$0.01 par value, 100,000 and 100,000 shares authorized and 24,321 and 23,791 issued and outstanding at June 30, 2007 and December 30, 2006, respectively	243	238
Additional paid-in capital	117,786	117,718
Deferred compensation	(1,028)	(2,326)
Accumulated deficit	(30,988)	(20,711)
Total stockholders' equity	86,013	94,919
Total liabilities and stockholders' equity	\$ 125,545	\$ 135,308

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

iROBOT CORPORATION
Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenue:				
Product revenue	\$ 41,361	\$ 29,594	\$ 75,482	\$ 62,950
Contract revenue	5,653	4,967	11,019	9,820
Total revenue	<u>47,014</u>	<u>34,561</u>	<u>86,501</u>	<u>72,770</u>
Cost of revenue:				
Cost of product revenue (1)	27,238	18,833	50,724	41,300
Cost of contract revenue (1)	4,552	3,951	9,436	7,500
Total cost of revenue	<u>31,790</u>	<u>22,784</u>	<u>60,160</u>	<u>48,800</u>
Gross profit	15,224	11,777	26,341	23,970
Operating expenses:				
Research and development (1)	4,179	3,818	8,335	6,601
Selling and marketing (1)	10,944	5,669	18,993	14,485
General and administrative (1)	5,752	4,994	11,079	9,411
Total operating expenses	<u>20,875</u>	<u>14,481</u>	<u>38,407</u>	<u>30,497</u>
Operating Loss	(5,651)	(2,704)	(12,066)	(6,527)
Other income, net	887	949	1,818	1,869
Loss before income taxes	(4,764)	(1,755)	(10,248)	(4,658)
Income tax expense	12	22	29	36
Net loss	<u>\$ (4,776)</u>	<u>\$ (1,777)</u>	<u>\$ (10,277)</u>	<u>\$ (4,694)</u>
Net loss per share				
Basic and diluted	\$ (0.20)	\$ (0.08)	\$ (0.43)	\$ (0.20)
Number of shares used in per share calculations				
Basic and diluted	24,226	23,431	24,064	23,403

(1) Total stock-based compensation recorded in the three and six months ended June 30, 2007 and July 1, 2006 included in the above figures breaks down by expense classification as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Cost of product revenue	\$ 239	\$ 68	\$ 359	\$ 123
Cost of contract revenue	134	57	211	111
Research and development	127	89	118	180
Selling and marketing	450	74	607	106
General and administrative	578	263	890	518
Total stock-based compensation	<u>\$ 1,528</u>	<u>\$ 551</u>	<u>\$ 2,185</u>	<u>\$ 1,038</u>

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

iROBOT CORPORATION
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended	
	June 30, 2007	July 1, 2006
Cash flows from operating activities:		
Net loss	\$ (10,277)	\$ (4,694)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,459	1,844
Loss on disposal of fixed assets	35	—
Stock-based compensation	2,185	1,038
Non-cash director deferred compensation	55	—
Changes in working capital — (use) source		
Accounts receivable	10,831	14,936
Unbilled revenue	472	210
Inventory	(1,118)	(940)
Other assets	883	264
Accounts payable	(579)	(13,481)
Accrued expenses	(2,021)	860
Accrued compensation	286	466
Provision for contract settlement	—	(58)
Deferred revenue	1,457	573
Net cash provided by operating activities	<u>4,668</u>	<u>1,018</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,921)	(2,211)
Purchases of investments	(22,000)	(92,200)
Sales of investments	26,800	24,800
Net cash provided by (used in) investing activities	<u>879</u>	<u>(69,611)</u>
Cash flows from financing activities:		
Income tax withholding payment associated with stock option exercise	(1,588)	—
Proceeds from stock option exercises	719	223
Tax benefit of disqualifying dispositions	—	38
Net cash provided by (used in) financing activities	<u>(869)</u>	<u>261</u>
Net increase (decrease) in cash and cash equivalents	4,678	(68,332)
Cash and cash equivalents, at beginning of period	5,583	76,064
Cash and cash equivalents, at end of period	<u>\$ 10,261</u>	<u>\$ 7,732</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ —	\$ 10
Cash paid for income taxes	112	163

Supplemental disclosure of noncash investing and financing activities (in thousands):

During the six months ended June 30, 2007 and July 1, 2006, the Company transferred \$481 and \$459, respectively, of inventory to fixed assets.

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

iROBOT CORPORATION
Notes To Consolidated Financial Statements
(unaudited)

1. Description of Business

iRobot Corporation (“iRobot” or the “Company”) was incorporated in 1990 as IS Robotics, Inc. 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 and industrial 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 and uncertainty of market acceptance of products.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany accounts and transactions. iRobot has prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States.

The accompanying financial data as of June 30, 2007 and for the three and six months ended June 30, 2007 and July 1, 2006 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 30, 2006, filed with the SEC on March 2, 2007.

In the opinion of management, all adjustments necessary to present a fair statement of financial position as of June 30, 2007 and results of operations and cash flows for the periods ended June 30, 2007 and July 1, 2006 have been made. The results of operations and cash flows for any interim period are not necessarily indicative of the operating results and cash flows for the full fiscal year or any future periods.

Use of Estimates

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

iROBOT CORPORATION
Notes To Consolidated Financial Statements — Continued
(unaudited)

Reclassification

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

Fiscal Year-End

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

Revenue Recognition

The Company derives its revenue from product sales, 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 home robots 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 for defective products only, rebates and price protection. The Company has typically not taken product returns except for defective products. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights at the time the related sale is recorded. The Company makes an estimate of sales returns for products sold by resellers directly or through its distributors based on historical returns experience. The Company has aggregated and analyzed historical returns from resellers and end users which form the basis of its estimate of future sales returns by resellers or end users. In accordance with Statement of Financial Accounting Standards No. 48, *Revenue Recognition When Right of Return Exists*, the provision for these estimated returns is recorded as a reduction of revenue at the time that the related revenue is recorded. If actual returns differ significantly from its estimates, such differences could have a material impact on the Company's results of operations for the period in which the returns become known. The estimates for returns are adjusted periodically based upon historical rates of returns. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates.

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

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), *Share-Based Payment*, which establishes accounting for the equity instruments exchanged for employee services. Under the provisions of SFAS No. 123(R), the Company establishes the fair value of each option grant using the Black-Scholes option-pricing model. Given the Company's initial public offering in November 2005 and the resulting short history as a public company, the Company could not rely solely on company specific historical data upon the adoption of SFAS No. 123(R) for purposes of establishing an expected volatility assumption for use in applying the Black-Scholes option-pricing model. Consequently, the Company performed an analysis of several peer companies with similar expected option lives to develop an expected volatility assumption of 65% which was utilized for establishing the fair value of all options granted during fiscal 2006.

iROBOT CORPORATIONNotes To Consolidated Financial Statements — Continued
(unaudited)

During the three month period ended March 31, 2007, the Company updated its volatility assumption utilizing a methodology consistent with that described above that included a blend of company specific data since its initial public offering and data from the above-mentioned peer companies for a period covering the expected option lives. Based upon this analysis, the Company established a volatility rate of 55% for use in calculating the fair value of option grants in the six month period ended June 30, 2007. This reduction in the volatility rate assumption had the result of establishing lower fair values and, consequently, lower stock-based compensation expense in the current and future periods, for options granted in the six months ended June 30, 2007.

Upon the adoption of SFAS No. 123(R) on January 1, 2006, the Company assumed a forfeiture rate of 5% for all stock options granted subsequent to its initial public offering with the exception of those issued to executives and directors for which a zero forfeiture rate had been assumed. These rates were in effect for all of fiscal 2006. Effective the beginning of fiscal 2007, the Company established a 2.5% forfeiture rate for executives and directors. In the future, the Company will record incremental stock-based compensation expense if the actual forfeiture rates are lower than estimated and will record a recovery of prior stock-based compensation expense if the actual forfeitures are higher than estimated.

In a recent review of its stock-based compensation accounting methodology, the Company determined that a cumulative adjustment of \$0.5 million of incremental stock-based compensation expense was required due to a correction in the application of SFAS No. 123(R). Upon adoption of SFAS No. 123(R) on January 1, 2006, the Company incorrectly valued 259,700 stock options that were granted between the date that it filed its initial Form S-1 registration statement with the Securities and Exchange Commission on July 27, 2005 and the date it became a public company (November 8, 2005). The Company believes, in accordance with APB 28, paragraph 29, that this adjustment will not be material to its estimated full year results for 2007. In addition, management does not believe the adjustment is material to the amounts reported by the Company in previous periods. This cumulative adjustment is included in the gross profit and operating expenses for the three and six month periods ended June 30, 2007.

Net Income Per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
	(In thousands, except per share data)		(In thousands, except per share data)	
Net loss	<u>\$ (4,776)</u>	<u>\$ (1,777)</u>	<u>\$ (10,277)</u>	<u>\$ (4,694)</u>
Diluted weighted average shares outstanding	<u>24,226</u>	<u>23,431</u>	<u>24,064</u>	<u>23,403</u>
Basic and diluted loss per share	<u>\$ (0.20)</u>	<u>\$ (0.08)</u>	<u>\$ (0.43)</u>	<u>\$ (0.20)</u>

Income Taxes

In June 2006, the FASB issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. Accordingly, the Company adopted FIN 48 beginning December 31, 2006 and the impact of adoption on its opening balance of retained earnings was zero. As of the beginning of fiscal year 2007, the Company had no unrecognized tax benefits and no unrecognized tax benefits were recorded in the six months ended June 30, 2007. The Company recognizes interest and penalties related to unrecognized tax benefits in its tax provision and there were no accrued interest or penalties as of December 31, 2006 or June 30, 2007.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. The Company's United States federal income tax returns for tax years after 1998 are subject to examination by the Internal Revenue Service. The Company's principal state income tax returns for tax years after 2002 are subject to examination by the state tax authorities.

iROBOT CORPORATIONNotes To Consolidated Financial Statements — Continued
(unaudited)

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

The Company monitors the realization of its deferred tax assets based on changes in circumstances, such as recurring periods of income for tax purposes following historical periods of cumulative losses or changes in tax laws or regulations. The Company's income tax provisions and its assessment of the realizability of its deferred tax assets involve significant judgments and estimates. If the Company generates taxable income through profitable operations in the future it may be required to recognize these deferred tax assets in the near term through the reduction of the valuation allowance which would result in a material benefit to its results of operations in the period in which the benefit is determined, excluding the recognition of the portion of the valuation allowance that relates to stock compensation windfall tax benefits.

Comprehensive Income

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

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies under other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. The Company is currently assessing SFAS No. 157 and has not yet determined the impact, if any, that its adoption will have on its result of operations or financial condition.

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

3. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts, and other highly liquid investments with original maturities of three months or less at the date of acquisition. The Company invests its excess operating cash primarily in money market funds of major financial institutions. Cash equivalents are carried at cost, which approximates fair market value, and interest is accrued as earned.

4. Short-term Investments

The Company's investments are classified as available-for-sale and are recorded at fair value with any unrealized gain or loss recorded as an element of stockholders' equity. The fair value of investments is determined based on quoted market prices at the reporting date for those instruments. As of June 30, 2007, investments consisted of:

	June 30, 2007		December 30, 2006	
	Cost	Fair Market Value	Cost	Fair Market Value
Auction Rate Debt Securities	\$60,000	\$60,000	\$64,800	\$64,800

(In thousands)

As of June 30, 2007, the Company's investments had maturity dates ranging from November 2027 to August 2045. Despite the long-term contractual maturities of the auction rate securities held at June 30, 2007, all of these

iROBOT CORPORATION
Notes To Consolidated Financial Statements — Continued
(unaudited)

securities are available for immediate sale and it is the Company's intention to liquidate these securities within one year.

5. Inventory

Inventory consists of the following at:

	<u>June 30, 2007</u>	<u>December 30, 2006</u>
	(In thousands)	
Raw materials	\$ 1,839	\$ 1,248
Work in process	570	311
Finished goods	19,599	19,331
	<u>\$ 22,008</u>	<u>\$ 20,890</u>

6. Stock Option Plans

The Company has options outstanding under four stock incentive plans: the 1994 Stock Option Plan (the "1994 Plan"), the 2001 Special Stock Option Plan (the "2001 Plan"), the 2004 Stock Option and Incentive Plan (the "2004 Plan") and the 2005 Stock Option and Incentive Plan (the "2005 Plan" and together with the 1994 Plan, the 2001 Plan and the 2004 Plan, the "Plans"). The 2005 Plan is the only one of the four plans under which new awards may currently be granted. Under the 2005 Plan, which became effective October 10, 2005, 1,583,682 shares were initially reserved for issuance in the form of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards and restricted stock awards. Additionally, the 2005 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning in 2007, by 4.5% of the outstanding number of shares of common stock on the immediately preceding December 31. Stock options returned to the Plans as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2005 Plan. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code. As of June 30, 2007, there were 1,346,509 shares available for future grant under the 2005 Plan.

Options granted under the Plans are subject to terms and conditions as determined by the compensation committee of the board of directors, including vesting periods. Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over periods from 0 to 5 years, and expire 7 or 10 years from the date of grant or, if earlier, 60 or 90 days from employee termination. Prior to the Company's initial public offering, the exercise price for each incentive stock option was 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 of directors considered 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. Subsequent to the Company's initial public offering the exercise price of incentive stock options is equal to the closing price on the NASDAQ Global Market on the date of grant. The exercise price of nonstatutory options may be set at a price other than the fair market value of the common stock.

iROBOT CORPORATION
Notes To Consolidated Financial Statements — Continued
(unaudited)

7. Accrued Expenses

Accrued expenses consist of the following at:

	June 30, 2007	December 30, 2006
	(In thousands)	
Accrued warranty	\$ 2,421	\$ 2,462
Accrued direct fulfillment costs	640	2,123
Accrued rent	247	284
Accrued sales commissions	254	502
Accrued accounting fees	437	332
Accrued income taxes	74	168
Accrued other	926	1,149
	<u>\$ 4,999</u>	<u>\$ 7,020</u>

8. Commitments and Contingencies***Lease Obligations***

The Company leases its facilities. Rental expense under operating leases for the three months ended June 30, 2007 and July 1, 2006 amounted to \$0.5 million and \$0.5 million, respectively, and for the six months ended June 30, 2007 and July 1, 2006 amounted to \$1.0 million and \$1.0 million, respectively. Future minimum rental payments under operating leases were as follows as of June 30, 2007:

	Operating Leases (In thousands)
Remainder of 2007	\$ 909
2008	2,933
2009	2,191
2010	2,131
2011	2,112
Thereafter	17,420
Total minimum lease payments	<u>\$ 27,696</u>

Guarantees and Indemnification Obligations

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies and agrees to reimburse the indemnified party for losses incurred by the indemnified party, generally the Company's customers, in connection with any patent, copyright, trade secret or other proprietary right infringement claim by any third party with respect to the Company's products. The term of these indemnification agreements is generally perpetual 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 June 30, 2007 and December 30, 2006, respectively.

iROBOT CORPORATION
Notes To Consolidated Financial Statements — Continued
(unaudited)

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 7) in the accompanying balance sheets.

Activity related to the warranty accrual was as follows:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
	(In thousands)			
Balance at beginning of period	\$ 2,497	\$ 2,010	\$ 2,462	\$ 2,031
Provision	1,407	1,060	3,391	2,376
Warranty usage(*)	(1,483)	(1,313)	(3,432)	(2,650)
Balance at end of period	<u>\$ 2,421</u>	<u>\$ 1,757</u>	<u>\$ 2,421</u>	<u>\$ 1,757</u>

(*) Warranty usage includes the pro rata expiration of product warranties unutilized.

9. Industry Segment, Geographic Information and Significant Customers

The Company operates in two reportable segments, the home robots division and government and industrial division.

The nature of products and types of customers for the two segments vary significantly. As such, the segments are managed separately.

Home Robots

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

Government and Industrial

The Company's government and industrial division offers products through a small sales force primarily focused on the U.S. government, 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.

iROBOT CORPORATION
Notes To Consolidated Financial Statements — Continued
(unaudited)

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

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
	(In thousands)		(In thousands)	
Revenue:				
Home Robots	\$ 17,197	\$ 16,738	\$ 36,638	\$ 39,947
Government & Industrial	29,817	17,823	49,863	32,823
Total revenue	<u>47,014</u>	<u>34,561</u>	<u>86,501</u>	<u>72,770</u>
Cost of revenue:				
Home Robots	11,805	10,748	25,369	26,001
Government & Industrial	19,985	12,036	34,791	22,799
Total cost of revenue	<u>31,790</u>	<u>22,784</u>	<u>60,160</u>	<u>48,800</u>
Gross profit:				
Home Robots	5,392	5,990	11,269	13,946
Government & Industrial	9,832	5,787	15,072	10,024
Total gross profit	<u>15,224</u>	<u>11,777</u>	<u>26,341</u>	<u>23,970</u>
Research and development				
Other	4,179	3,818	8,335	6,601
Selling and marketing				
Other	10,944	5,669	18,993	14,485
General and administrative				
Other	5,752	4,994	11,079	9,411
Other income, net				
Other	887	949	1,818	1,869
Loss before income taxes				
Other	<u>\$ (4,764)</u>	<u>\$ (1,755)</u>	<u>\$ (10,248)</u>	<u>\$ (4,658)</u>

Geographic Information

For the three months ended June 30, 2007 and July 1, 2006, sales to non-U.S. customers accounted for 16.6% and 10.8% of total revenue, respectively, and for the six months ended June 30, 2007 and July 1, 2006, sales to non-U.S. customers accounted for 11.8% and 8.9% of total revenue, respectively.

Significant Customers

For the three months ended June 30, 2007 and July 1, 2006, U.S. federal government orders, contracts and subcontracts accounted for 50.8% and 48.1% of total revenue, respectively, and for the six months ended June 30, 2007 and July 1, 2006, U.S. federal government orders, contracts and subcontracts accounted for 48.7% and 41.8% of total revenue, respectively.

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

The following discussion of the financial condition and results of operations of iRobot Corporation should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 30, 2006, which has been filed with the Securities and Exchange Commission (the “SEC”). This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, and are subject to the “safe harbor” created by those sections. Some of the forward-looking statements can be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “will,” “should,” “could,” “seek,” “intends,” “plans,” “estimates,” “anticipates,” or other comparable terms. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, including those risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 30, 2006, as well as elsewhere in this report. We urge you to consider the risks and uncertainties discussed in our Annual Report on Form 10-K and in Item 1A contained herein in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

Overview

iRobot provides 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, Scooba floor washing and Verro pool cleaning robots 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 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 chain stores and other national retailers, and our on-line store, and to the U.S. military and other government agencies worldwide.

As of June 30, 2007, we had 409 full-time employees. We have developed expertise in most 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, thereby reducing the time, cost and risk of product development. We believe that 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.

Although we have successfully launched home robot and military products, our continued success depends upon our ability to respond to a number of future challenges. We believe the most significant of these challenges include increasing competition in the markets for both our home robot and military products, our ability to obtain U.S. federal government funding for research and development programs, and our ability to successfully develop and introduce products and product enhancements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, in particular those related to revenue recognition; valuation allowances (specifically sales returns and other allowances); assumptions used in valuing stock-based compensation instruments; evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual amounts could differ significantly from these estimates. Our management bases its estimates and judgments on historical experience and various other factors that

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are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenue and expenses that are not readily apparent from other sources. Additional information about these critical accounting policies may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

In a recent review of our stock-based compensation accounting methodology, we determined that a cumulative adjustment of \$0.5 million of incremental stock-based compensation expense was required due to a correction in the application of SFAS No. 123(R). Upon adoption of SFAS No. 123(R) on January 1, 2006, we incorrectly valued 259,700 stock options that were granted between the date that we filed our initial Form S-1 registration statement with the Securities and Exchange Commission on July 27, 2005 and the date we became a public company (November 8, 2005). We believe, in accordance with APB 28, paragraph 29, that this adjustment will not be material to our estimated full year results for 2007. In addition, we do not believe the adjustment is material to the amounts reported by us in previous periods. This cumulative adjustment is included in the gross profit and operating expenses for the three and six month periods ended June 30, 2007.

Overview of Results of Operations

The following table sets forth our results of operations as a percentage of revenue for the three and six month periods ended June 30, 2007 and July 1, 2006:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenue				
Product revenue	88.0%	85.6%	87.3%	86.5%
Contract revenue	12.0	14.4	12.7	13.5
Total revenue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Cost of Revenue				
Cost of product revenue	57.9	54.5	58.6	56.8
Cost of contract revenue	9.7	11.4	10.9	10.3
Total cost of revenue	<u>67.6</u>	<u>65.9</u>	<u>69.5</u>	<u>67.1</u>
Gross profit	32.4	34.1	30.5	32.9
Operating Expenses				
Research and development	8.9	11.0	9.6	9.1
Selling and marketing	23.3	16.4	22.0	19.9
General and administrative	12.2	14.5	12.8	12.9
Total operating expenses	<u>44.4</u>	<u>41.9</u>	<u>44.4</u>	<u>41.9</u>
Operating loss	(12.0)	(7.8)	(13.9)	(9.0)
Other income, net	1.9	2.8	2.1	2.6
Loss before income taxes	(10.1)	(5.0)	(11.8)	(6.4)
Income tax expense	0.1	0.1	0.1	0.1
Net Loss	<u>(10.2)%</u>	<u>(5.1)%</u>	<u>(11.9)%</u>	<u>(6.5)%</u>

Comparison of Three and Six Months Ended June 30, 2007 and July 1, 2006

Revenue

	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Total revenue	\$47,014	\$34,561	\$12,453	36.0%	\$86,501	\$72,770	\$13,731	18.9%

Total revenue for the three months ended June 30, 2007 increased to \$47.0 million, or 36.0%, compared to \$34.6 million for the three months ended July 1, 2006. Revenue increased approximately \$0.5 million, or 2.7%, in our home robots business and increased approximately \$11.9 million, or 67.3%, in our government and industrial business.

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The \$0.5 million increase in revenue from our home robots division was driven by an increase in product life cycle revenue (spares and accessories) partially offset by lower sales of home floor care robots, for the three months ended June 30, 2007 as compared to the three months ended July 1, 2006. Total home floor care robots shipped in the three months ended June 30, 2007 was approximately 99,000 units compared to approximately 107,000 units in the three months ended July 1, 2006. The \$11.9 million increase in revenue from our government and industrial business for the three months ended June 30, 2007 as compared to three months ended July 1, 2006 was due to a 78.8% increase in unit shipments of our military robots combined with a 31.4% increase in associated net average selling prices and a 14.2% increase in recurring contract development revenue generated under funded research and development contracts. Also included in this \$11.9 million growth was a decrease of approximately \$1.5 million in product life cycle revenue (robot spares, services and training) from the \$3.4 million of product life cycle revenue in the three months ended July 1, 2006. Total military robot units shipped in the three months ended June 30, 2007 was 152 compared to 85 in the three months ended July 1, 2006.

Total revenue for the six months ended June 30, 2007 increased by \$13.7 million to \$86.5 million, or 18.9%, compared to \$72.8 million for the six months ended July 1, 2006. Revenue decreased approximately \$3.3 million, or 8.3%, in our home robots business and increased approximately \$17.0 million, or 51.9%, in our government and industrial business.

The \$3.3 million decrease in revenue from our home robots division was driven by a 10.5% decrease in net average selling prices that was primarily due to lower sales of our Scooba floor washing robot, which have higher average selling prices than our Roomba floor vacuuming robot, combined with a 3.7% decrease in unit shipments of our total home floor care robots, for the six months ended June 30, 2007 as compared to the six months ended July 1, 2006. Partially offsetting this decrease was a 49.8% increase in product life cycle revenue. Total home floor care robots shipped in the six months ended June 30, 2007 was approximately 227,000 units compared to approximately 237,000 units in the six months ended July 1, 2006. The \$17.0 million increase in revenue from our government and industrial business for the six months ended June 30, 2007 as compared to six months ended July 1, 2006 was due to a 59.6% increase in unit shipments of our military robots combined with a 19.9% increase in associated net average selling prices and a 12.5% increase in recurring contract development revenue generated under funded research and development contracts. Total military robot units shipped in the six months ended June 30, 2007 was 249 compared to 156 in the six months ended July 1, 2006.

Cost of Revenue

	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
Total cost of revenue	\$31,790	\$22,784	\$9,006	39.5%	\$60,160	\$48,800	\$11,360	23.3%
As a percentage of total revenue	67.6%	65.9%			69.5%	67.1%		

Total cost of revenue increased to \$31.8 million in the three months ended June 30, 2007, compared to \$22.8 million in the three months ended July 1, 2006. The increase is due to higher costs associated with the 78.8% increase in government and industrial unit sales, higher average unit costs in both divisions driven by expansion of our product line into higher end models, and the 14.2% increase in recurring contract revenues generated under funded research and development contracts.

The home robots division cost of revenue increased as a percent of revenue by 4.4 percentage points in the three months ended June 30, 2007 as compared to the three months ended July 1, 2006. This increase was primarily attributable to a 17.6% increase in average unit costs mainly as a result of increased nickel prices, the most significant cost element of our batteries, partially offset by a 3.0% increase in average selling prices

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The government and industrial robots division cost of revenue decreased as a percent of revenue by 0.5 percentage points in the three months ended June 30, 2007 as compared to the three months ended July 1, 2006. This decrease was due to favorable contract costs associated with government approved overhead rate adjustments applied this quarter and absorption of overhead expenses, partially offset by a 19.5% increase in the average unit costs and higher warranty expenses.

Total cost of revenue increased to \$60.2 million in the six months ended June 30, 2007, compared to \$48.8 million in the six months ended July 1, 2006. The increase is due to higher costs associated with the 59.6% increase in government and industrial unit sales and a 7.4% increase in the average unit costs of our government and industrial robots and the 12.5% increase in recurring contract revenues generated under funded research and development contracts.

The home robots division cost of revenue increased as a percent of revenue by 4.1 percentage points in the six months ended June 30, 2007 as compared to the six months ended July 1, 2006. This increase was primarily attributable to higher warranty, overhead and battery costs, due to increased nickel costs, partially offset by lower average unit costs driven by the mix of home robots sold.

The government and industrial robots division cost of revenue increased as a percent of revenue by 0.3 percentage points in the six months ended June 30, 2007 as compared to the six months ended July 1, 2006. This increase was due to higher overhead costs associated with an expanded infrastructure to support our growth and achieve operational scale as well as higher warranty costs offset by the impact of a favorable mix of product vs. contract revenue and the second quarter government approved overhead rate adjustments.

Gross Profit

	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
Total gross profit	\$15,224	\$11,777	\$3,447	29.3%	\$26,341	\$23,970	\$2,371	9.9%
As a percentage of total revenue	32.4%	34.1%			30.5%	32.9%		

Gross profit increased 29.3% to \$15.2 million in the three months ended June 30, 2007, from \$11.8 million in the three months ended July 1, 2006. Gross profit as a percentage of revenue decreased to 32.4% in the three months ended June 30, 2007 from 34.1% of revenue in the three months ended July 1, 2006. This decrease in gross profit as a percentage of total revenue was the result of the home robots division gross profit decreasing 4.4 percentage points offset by the government and industrial division increasing 0.5 percentage points, each compared to the three months ended July 1, 2006.

Gross profit increased 9.9% to \$26.3 million in the six months ended June 30, 2007, from \$24.0 million in the six months ended July 1, 2006. Gross profit as a percentage of revenue decreased to 30.5% in the six months ended June 30, 2007 from 32.9% of revenue in the six months ended July 1, 2006. This decrease in gross profit as a percentage of total revenue was the result of the home robots division gross profit decreasing 4.1 percentage points and by the government and industrial division decreasing 0.3 percentage points, each compared to the six months ended July 1, 2006.

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	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Total research and development expense	\$4,179	\$3,818	\$361	9.5%	\$8,335	\$6,601	\$1,734	26.3%
As a percentage of total revenue	8.9%	11.0%			9.6%	9.1%		

Research and development expenses increased by \$0.4 million, or 9.5%, to \$4.2 million (8.9% of revenue) in the three months ended June 30, 2007, from \$3.8 million (11.0% of revenue) for the three months ended July 1, 2006. The increase in research and development expenses is primarily due to an increase in compensation and benefit related expenses attributed to increased headcount.

Research and development expenses increased by \$1.7 million, or 26.3%, to \$8.3 million (9.6% of revenue) in the six months ended June 30, 2007, from \$6.6 million (9.1% of revenue) for the six months ended July 1, 2006. The increase in research and development expenses is primarily due to an increase of \$0.9 million in compensation, benefit related expenses and travel attributed to increased headcount. Consulting and material costs associated with internal research and development projects increased by \$0.2 million and \$0.6 million, respectively.

In 2007, we intend to continue to invest in research and development to respond to and anticipate customer needs and we expect quarterly spending to approximate the levels we experienced in the three months ended June 30, 2007. Given the seasonality of our business and the impact on quarterly revenues, research and development expenses are expected to fluctuate as a percent of revenue throughout the year. For the full fiscal year 2007, we expect research and development expenses to be approximately 7% of revenue as compared to the 8.9% we experienced in the three months ended June 30, 2007.

Overall research and development headcount increased to 106 at June 30, 2007 compared to 89 as of July 1, 2006, an increase of 17 employees or 19%.

In addition to our internal research and development activities discussed above, we incur research and development expenses under funded development arrangements with both governments and industrial third parties. For the three and six months ended June 30, 2007, these expenses amounted to \$4.6 million and \$9.4 million compared to \$4.0 million and \$7.5 million for the three and six months ended July 1, 2006, respectively. In accordance with generally accepted accounting principles, these expenses have been classified as cost of revenue rather than research and development expense.

Selling and Marketing

	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Total selling and marketing expense	\$10,944	\$5,669	\$5,275	93.0%	\$18,993	\$14,485	\$4,508	31.1%
As a percentage of total revenue	23.3%	16.4%			22.0%	19.9%		

Selling and marketing expenses increased by \$5.3 million, or 93.0%, to \$10.9 million (23.3% of revenue) in the three months ended June 30, 2007 from \$5.7 million (16.4% of revenue) in the three months ended July 1, 2006. The increase in selling and marketing expense was primarily driven by increases of \$4.1 million in direct marketing, online and television media, and direct fulfillment related expenses due primarily to significant growth in our direct business, compensation expense of \$0.4 attributed to increased headcount, and stock compensation expense of \$0.4 million as compared to the three months ended July 1, 2006.

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Selling and marketing expenses increased by \$4.5 million, or 31.1%, to \$19.0 million (22.0% of revenue) in the six months ended June 30, 2007 from \$14.5 million (19.9% of revenue) in the six months ended July 1, 2006. The increase in selling and marketing expense was primarily driven by increases of \$3.2 million in fulfillment expenses and online media due to significant growth in our direct business, compensation expense of \$0.8 million attributed to increased headcount, and stock compensation expense of \$0.5 million as compared to the six months ended July 1, 2006.

For the full fiscal year 2007, we expect selling and marketing expenses to be approximately 19% of revenue with sales and marketing spending, especially media spending, generally increasing as the holiday season approaches.

Overall selling and marketing headcount increased to 34 at June 30, 2007 compared to 26 as of July 1, 2006, an increase of 8 employees or 31% growth.

General and Administrative

	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Total general and administrative expense	\$5,752	\$4,994	\$758	15.2%	\$11,079	\$9,411	\$1,668	17.7%
As a percentage of total revenue	12.2%	14.5%			12.8%	12.9%		

General and administrative expenses increased by \$0.8 million, or 15.2%, to \$5.8 million (12.2% of revenue) in the three months ended June 30, 2007 from \$5.0 million (14.5% of revenue) in the three months ended July 1, 2006. The increase in general and administrative expenses was primarily driven by increases of \$0.4 million in compensation due to increased headcount, \$0.3 million of stock compensation expense, and \$0.1 million in depreciation expense over the comparable period.

General and administrative expenses increased by \$1.7 million, or 17.7%, to \$11.1 million (12.8% of revenue) in the six months ended June 30, 2007 from \$9.4 million (12.9% of revenue) in the six months ended July 1, 2006. The increase in general and administrative expenses was primarily driven by increases of \$1.0 million in compensation and recruiting due to increased headcount, \$0.4 million of stock compensation expense, and \$0.2 million in depreciation expense over the comparable period.

Given the seasonality of our business and the impact on quarterly revenues, general and administrative expenses are expected to fluctuate as a percent of revenue throughout the year. For the full fiscal year 2007, we expect general and administrative expenses to be approximately 9% of revenue as compared to the 12.2% of revenue we experienced in the three months ended June 30, 2007.

Overall general and administrative headcount increased to 82 at June 30, 2007 compared to 66 as of July 1, 2006, an increase of 16 employees or 24% growth.

Other Income, Net

	Three Months Ended				Six Months Ended			
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Total other income (expense), net	\$887	\$949	\$(62)	(6.5%)	\$1,818	\$1,869	\$(51)	(2.7%)
As a percentage of total revenue	1.9%	2.8%			2.1%	2.6%		

Other income, net amounted to \$0.9 million for the three months ended June 30, 2007 compared to \$0.9 million for the three months ended July 1, 2006.

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Other income, net amounted to \$1.8 million for the six months ended June 30, 2007 compared to \$1.9 million for the six months ended July 1, 2006.

Other income, net was directly related to interest income resulting from the investment of the net proceeds from our initial public offering, which closed on November 15, 2005.

Income Tax Provision

	Three Months Ended			Six Months Ended				
	June 30, 2007	July 1, 2006	Dollar Change	Percent Change	June 30, 2007	July 1, 2006	Dollar Change	Percent Change
	<u>(Dollars in thousands)</u>				<u>(Dollars in thousands)</u>			
Total income tax provision	\$ 12	\$ 22	\$(10)	(45.5%)	\$ 29	\$ 36	\$(7)	(19.4%)
As a percentage of total revenue	0.1%	0.1%			0.1%	0.1%		

The provision for income taxes for the three and six months ended June 30, 2007 and July 1, 2006 consists solely of state taxes.

Liquidity and Capital Resources

At June 30, 2007 our principal sources of liquidity were cash and cash equivalents totaling \$10.3 million, short-term investments of \$60.0 million, and accounts receivable of \$17.7 million.

We manufacture and distribute our products through contract manufacturers and third-party logistics providers. We believe that this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling production and managing inventory levels. By leasing our office facilities, we also minimize the cash needed for expansion. However, cash flow will be impacted in the coming quarters as we build out new leased facilities for occupancy during the second quarter of 2008. Accordingly, our capital spending is generally limited to leasehold improvements, computers, office furniture and product-specific production tooling and test equipment. In the six month periods ended June 30, 2007 and July 1, 2006, we spent \$3.9 million and \$2.2 million, respectively, on capital equipment.

Our home robots product sales are, and are expected to continue to be, highly seasonal. This seasonality typically results in a break even or net use of cash in support of operating needs during the first half of the year with the low point generally occurring in the third quarter, and a favorable cash flow towards the end of the year.

Discussion of Cash Flows

Net cash provided by our operating activities in the six months ended June 30, 2007 was \$4.7 million compared to net cash provided by operating activities of \$1.0 million in the six months ended July 1, 2006. The cash provided by our operating activities in the six months ended June 30, 2007 was primarily due to a decrease in accounts receivable (including unbilled revenue) of \$11.3 million, and a decrease in other assets of \$0.9 million, offset by a net loss of \$10.3 million, an increase in inventory of \$1.1 million and a net decrease in liabilities of \$0.9 million. In addition, in the six months ended June 30, 2007, we had depreciation and amortization of approximately \$2.5 million and stock-based compensation of \$2.2 million, both of which are non-cash expenses. The cash provided by our operating activities in the six months ended July 1, 2006 was primarily due to a decrease in accounts receivable of \$14.9 million offset by a net loss of \$4.7 million, an increase in inventory of \$0.9 million, and a decrease in liabilities of \$11.6 million. In addition, in the six months ended July 1, 2006, we had depreciation and amortization of approximately \$1.8 million and stock-based compensation of \$1.0 million, both of which are non-cash expenses.

Net cash provided by our investing activities was \$0.9 million in the six months ended June 30, 2007 compared to net cash used by our investing activities of \$69.6 million in the six months ended July 1, 2006. Investing activities in the six months ended June 30, 2007 represent the sale of short-term investments of \$26.8 million, offset by the

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purchase of short-term investments of \$22.0 million and the purchase of capital equipment of \$3.9 million. Investing activities in the six months ended July 1, 2006 represent the purchase of short-term investments of \$92.2 million and capital equipment of \$2.2 million, offset by the sale of short-term investments of \$24.8 million.

Net cash used by our financing activities was approximately \$0.9 million in the six months ended June 30, 2007 compared to net cash provided by our financing activities of \$0.3 million in the six months ended July 1, 2006. Included in the financing activities for the six months ended June 30, 2007 was a \$1.6 million payment by us of the minimum tax withholding obligation relating to a stock option exercise during the period. This figure was offset by \$0.7 million of proceeds from the exercise of stock options. Net cash provided by our financing activities for the six months ended July 1, 2006 consist primarily of the proceeds from the exercise of common stock options.

The majority of our long-lived assets for the six months ended June 30, 2007 and July 1, 2006 are located in the United States. However, we have invested in production tooling for the manufacture of the Roomba and Scooba product lines in China.

Working Capital Facility

On June 5, 2007, we entered into a \$35 million unsecured revolving credit facility with Bank of America, N.A. to replace our expired working capital line of credit with Bank of America. The credit facility will be available to fund working capital and other corporate purposes. The interest on loans under our working capital line of credit will accrue, at our election, at either (i) Bank of America's prime rate minus 1% or (ii) the Eurodollar rate plus 1.25%. The credit facility will terminate and all amounts outstanding thereunder will be due and payable in full on June 5, 2010. As of June 30, 2007, we had letters of credit outstanding of \$2.1 million and \$32.9 million available under our working capital line of credit. This credit facility contains customary terms and conditions for credit facilities of this type, including restrictions on our ability to incur or guaranty additional indebtedness, create liens, enter into transactions with affiliates, make loans or investments, sell assets, pay dividends or make distributions on, or repurchase, our stock, and consolidate or merge with other entities.

In addition, we are required to meet certain financial covenants customary with this type of agreement, including maintaining a minimum specified tangible net worth, a minimum specified ratio of current assets to current liabilities and a minimum specified annual net income.

This credit facility contains customary events of default, including for payment defaults, breaches of representations, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy and failure to discharge certain judgments. If a default occurs and is not cured within any applicable cure period or is not waived, our obligations under the credit facility may be accelerated. At June 30, 2007, we were in compliance with all covenants under the credit facility.

Equipment Financing Facility

On June 5, 2007, we entered into a \$15 million secured equipment facility with Banc of America Leasing and Capital, LLC under which we can finance the acquisition of equipment, furniture and leasehold improvements. We may borrow amounts under the equipment facility until July 1, 2008 and any amounts borrowed during that period will accrue interest at 30-day LIBOR plus 1%. After July 1, 2008, all amounts then outstanding under the equipment line will be repaid in 60 equal monthly installments commencing in July 2008 and will accrue interest, at our election, at either a fixed or variable rate of interest. Our obligations under the equipment facility will be secured by any financed equipment. As of June 30, 2007, we had no amounts outstanding and \$15.0 million available under our equipment financing line of credit.

This equipment facility contains customary terms and conditions for equipment facilities of this type, including, without limitation, restrictions on our ability to transfer, encumber or dispose of the financed equipment. In addition, we are required to meet certain financial covenants customary to this type of agreement, including maintaining a minimum specified tangible net worth, a minimum specified ratio of current assets to current liabilities and a minimum specified annual net income.

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This equipment facility contains customary events of default, including for payment defaults, breaches of representations, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy and failure to discharge certain judgments. If a default occurs and is not cured within any applicable cure period or is not waived, or if we repay all of our indebtedness under our credit facility with Bank of America, N.A., our obligations under this equipment facility may be accelerated. At June 30, 2007, we were in compliance with all covenants under the equipment facility.

Working Capital and Capital Expenditure Needs

We currently have no material cash commitments, except for normal recurring trade payables, expense accruals and operating leases, all of which we anticipate funding through our existing working capital line of credit, working capital and funds provided by operating activities. We do anticipate making significant capital commitments in the next several months for expenditures associated with the planned move to our new corporate headquarters on or about May 1, 2008. These expenditures will be jointly funded by the landlord for this site and by us. Other than this project, we do not currently anticipate significant investment in property, plant and equipment, and we believe that our outsourced approach to manufacturing provides us with flexibility in both managing inventory levels and financing our inventory. We believe our existing cash and cash equivalents, short-term investments, cash provided by operating activities, and funds available through our working capital line of credit will be sufficient to meet our working capital and capital expenditure needs over at least the next twelve months. In the event that our revenue plan does not meet our expectations, we may eliminate or curtail expenditures to mitigate the impact on our working capital. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our marketing and sales activities, the timing and extent of spending to support product development efforts, the timing of introductions of new products and enhancements to existing products, the acquisition of new capabilities or technologies, and the continuing market acceptance of our products and services. Moreover, to the extent that existing cash and cash equivalents, short-term investments, cash from operations, and cash from short-term borrowing are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Although we are currently not a party to any agreement or binding 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 working capital line of credit, leases for office space and minimum contractual obligations for services. The following table describes our commitments to settle contractual obligations in cash as of June 30, 2007:

	Payments Due by Period				Total
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	
Operating leases	\$ 2,042	\$ 5,071	\$ 5,169	\$ 15,414	\$ 27,696
Minimum contractual payments	1,115	8,500	10,500	1,500	21,615
Total	<u>\$ 3,157</u>	<u>\$ 13,571</u>	<u>\$ 15,669</u>	<u>\$ 16,914</u>	<u>\$ 49,311</u>

Off-Balance Sheet Arrangements

As of June 30, 2007, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Recently Issued Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

At June 30, 2007, we had unrestricted cash and cash equivalents of \$10.3 million and short-term investments of \$60.0 million. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Some of the securities in which we invest, however, may be subject to market risk. This means that a change in prevailing interest rates may cause the 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 auction rate securities, commercial paper, money market funds, debt securities and certificates of deposit. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. As of June 30, 2007, all of our cash equivalents were held in money market accounts and our short-term investments were comprised of auction rate securities.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we would be required to pay on 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 June 30, 2007, there were no borrowings outstanding under our working capital line of credit or our equipment line.

Exchange Rate Sensitivity

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.

Item 4. Controls and Procedures

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

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

Part II. Other Information

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 30, 2006, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

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Item 4. Submission of Matters to a Vote of Security Holders

The Company's annual meeting of stockholders was held on Thursday, June 28, 2007, in Bedford, Massachusetts, at which the following matters were submitted to a vote of the stockholders:

- (a) Votes regarding the election of the persons named below as class II members to the board of directors, each for a three-year term and until his successor has been duly elected and qualified or until his earlier resignation or removal, were as follows:

	For	Withheld
Helen Greiner	20,481,767	311,023
George McNamee	20,373,294	419,496
Peter Meekin	20,693,607	109,183

- (b) Votes regarding ratification of the appointment of the accounting firm of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the current fiscal year were as follows:

For	Against	Abstentions
20,626,311	147,882	18,597

Item 5. Other Information

The Company and Kin Yat Industrial Co. Ltd. ("Kin Yat") have entered into an Agreement under which Kin Yat will from time to time provide certain services to the Company, including the manufacture and supply of certain consumer products pursuant to purchase orders issued under the Agreement. The Agreement details the procurement relationship between the Company and Kin Yat including terms related to order fulfillment and forecasting, pricing, payments and acceptance, warranties, delivery, intellectual property, indemnification and limitation of liability. The purchase orders describe the deliverables and services to be provided by Kin Yat, including the required product, quantities, delivery dates, prices, destination, carrying method, consignee at destination, shipping instructions and other details as may be reasonably requested by Kin Yat. The Agreement has a term of three years (which will expire if not earlier terminated, on March 23, 2010), and it may be renewed by a written amendment consented to by the Company and Kin Yat. The parties have the right to terminate the Agreement if the other party becomes insolvent or commits an uncured material breach of the Agreement.

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

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

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Item 6. Exhibits

<i>Exhibit Number</i>	<i>Description</i>
10.1	Credit Agreement between the Registrant and Bank of America, N.A., dated as of June 5, 2007
10.2	Master Loan and Security Agreement between the Registrant and Banc of America Leasing and Capital, LLC, dated as of June 13, 2007 and Addendum to Master Loan and Security Agreement between the Registrant and Banc of America Leasing Capital, LLC, dated as of June 19, 2007
10.3**	Manufacturing Agreement between the Registrant and Kin Yat Industrial Co. Ltd., dated as of March 23, 2007
10.4 +	Amended and Restated 2004 Stock Option and Incentive Plan and forms of agreement thereunder
10.5 +	Form of Deferred Stock Award Agreement under the Registrant's 2005 Stock Option and Incentive Plan
10.6 +	Form of Restricted Stock Award Agreement under the Registrant's 2005 Stock Option and Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 24, 2007 and incorporated by reference herein)
31.1	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

** Confidential treatment has been requested for portions of this exhibit.

+ Indicates a management contract or any compensatory plan, contract or arrangement

SIGNATURES

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

iROBOT CORPORATION

Date: August 1, 2007

By: /s/ Geoffrey P. Clear

Geoffrey P. Clear
Senior Vice President, Chief Financial Officer and
Treasurer (Duly Authorized Officer and Principal
Financial Officer)

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

CREDIT AGREEMENT

Dated as of June 5, 2007

between

iRobot Corporation

and

BANK OF AMERICA, N.A.

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CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of June 5, 2007 by and between iRobot Corporation, a Delaware corporation (the “Borrower”) and BANK OF AMERICA, N.A. (the “Lender”).

The Borrower has requested that the Lender provide a revolving credit facility, and the Lender is willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

“Agreement” means this Credit Agreement.

“Applicable Rate” means a per annum rate equal to:

- (a) with respect to Base Rate Loans, 1.0%;
- (b) with respect to Eurodollar Rate Loans and Letters of Credit, 1.25%.

“Attorney Costs” means and includes all reasonable documented fees, expenses and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all expenses and disbursements of internal counsel.

“Attributable Indebtedness” means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2006, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

“Availability Period” means the period from and including the Closing Date to the earlier of (a) the Maturity Date and (b) the date of termination of the Commitment.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by the Lender as its “prime rate.” The “prime rate” is a rate set by the Lender based upon various factors including the Lender’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by the Lender shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Lending Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Cash Collateralize” has the meaning specified in Section 2.03(f).

“Closing Date” means the first date all the conditions precedent in Section 4.01 are satisfied or waived by the Lender.

“Code” means the Internal Revenue Code of 1986.

“Commitment” means the obligation of the Lender to make Loans and L/C Credit Extensions hereunder in an aggregate principal amount at any one time not to exceed Thirty Five Million (\$35,000,000) Dollars, as such amount may be adjusted from time to time in accordance with this Agreement.

“Compensating Balances” has the meaning specified in Section 2.08(a).

“Compliance Certificate” means a certificate substantially in the form of Exhibit C.

“Consolidated Tangible Net Worth” means, as of any date of determination, for the Borrower and its Subsidiaries on a consolidated basis, Shareholders’ Equity of the Borrower and its Subsidiaries on that date minus the Intangible Assets of the Borrower and its Subsidiaries on that date.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” has the meaning specified in the definition of “Affiliate.”

“Credit Extension” means each of the following: (a) a borrowing of a Loan and (b) an L/C Credit Extension.

“Current Assets” means the aggregate of cash plus short term marketable securities plus accounts receivable.

“Current Liabilities” means the current portion of the Borrower’s obligations for borrowed money (including Obligations hereunder).

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (a) the Base Rate plus (b) the Applicable Rate, if any, applicable to Base Rate Loans plus (c) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, in each case to the fullest extent permitted by applicable Laws.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Dollar” and “\$” mean lawful money of the United States.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” has the meaning specified in Section 9.07(f).

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Eurodollar Base Rate” has the meaning specified in the definition of Eurodollar Rate.

“Eurodollar Rate” means for any Interest Period with respect to any Eurodollar Rate Loan, a rate per annum determined by the Lender pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

“Eurodollar Base Rate” means, for such Interest Period:

(a) the rate per annum equal to the rate determined by the Lender to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Lender to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Lender as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by the Lender's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day applicable to the Lender under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Eurodollar Rate Loan" means a Loan that bears interest based on the Eurodollar Rate.

"Event of Default" has the meaning specified in Section 8.01.

"Existing Letters of Credit" means the Two Million Dollar (\$2,000,000.00) letter of credit issued on April 6, 2007 on behalf of the Borrower for the benefit of Boston Properties Limited Partnership.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Lender on such day on such transactions as determined by the Lender.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee” means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Honor Date” has the meaning specified in Section 2.03(c)(i).

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) capital leases and Synthetic Lease Obligations; and

(g) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Indemnified Liabilities” has the meaning specified in Section 9.05.

“Indemnitees” has the meaning specified in Section 9.05.

“Intangible Assets” means assets that are considered to be intangible assets under GAAP, including customer lists, goodwill, computer software, copyrights, trade names, trademarks, patents, franchises, licenses, unamortized deferred charges, unamortized debt discount and capitalized research and development costs.

“Interest Payment Date” means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each calendar month and the Maturity Date.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three, six or twelve (to the extent available) months thereafter, as selected by the Borrower in its Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“TP Rights” has the meaning specified in Section 5.18.

“IRS” means the United States Internal Revenue Service.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Obligations” means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate of all unreimbursed drawings under all Letters of Credit.

“Lender Lease Loan” means the lease financing to be provided by Banc of America Leasing & Capital, LLC or its designee.

“Lending Office” means the office or offices of the Lender described as such on Schedule 9.02, or such other office or offices as the Lender may from time to time notify the Borrower.

“Letter of Credit” means any letter of credit issued hereunder and shall include the Existing Letters of Credit.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the Lender.

“Letter of Credit Expiration Date” means the day that is seven days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Sublimit” means an amount equal to Five Million (\$5,000,000.00) Dollars. The Letter of Credit Sublimit is part of, and not in addition to, the Commitment.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” has the meaning specified in Section 2.01.

“Loan Documents” means this Agreement and the Note.

“Loan Notice” means a notice of (a) a borrowing of a Loan, (b) a conversion of a Loan from one Type to the other, or (c) a continuation of a Eurodollar Rate Loan as the same Type, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business or, condition (financial or otherwise) of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Borrower to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of the Loan Documents to which it is a party.

“Maturity Date” means June 5, 2010.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Note” means a promissory note made by the Borrower in favor of the Lender evidencing Loans made by the Lender, substantially in the form of Exhibit B.

“Obligations” means all advances to, and debts, liabilities, obligations (including, without limitation, for reimbursement in connection with guaranties and letters of credit or in connection with any depository, cash management and/or treasury management services or products provided by the Lender or any of its affiliates to the Borrower including ePayables Solution), agreements, undertakings, covenants and duties of, the Borrower arising under any Loan

Document, Swap Contract, or otherwise with respect to any Loan or Letter of Credit, or under the Lender's Treasury Services Terms and Conditions, or under any other agreements or documents of every kind relating to any depository, treasury services products or cash management services provided by the Lender for the benefit of or otherwise in respect of the Borrower (including all renewals, extensions, amendments), including with limitation all interest, fees, charges, and amounts chargeable to Borrower, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Borrower or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Outstanding Amount” means (i) with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date; and (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Participant” has the meaning specified in Section 9.07(c).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Acquisition” means an acquisition of the capital stock or the property of another Person, whether or not involving a merger or consolidation with such other Person by the Borrower (so long as the Borrower is the surviving entity) or any Subsidiary of the Borrower, provided that (i) any Person acquired is in

substantially the same field of business as the Borrower or any Subsidiary of the Borrower (or any reasonable extensions or expansions thereof) and any property acquired (or the property of the Person acquired) in such acquisition is used or useful in the same business as the Borrower or its Subsidiaries were engaged in on the Closing Date (or any reasonable extensions or expansions thereof), (ii) no Indebtedness is assumed or incurred in connection with the acquisition other than Indebtedness permitted under clause (iv) hereof or Section 7.03, (iii) the acquisition is “friendly” or non-hostile in nature, (iv) the total purchase price for all such acquisitions in the aggregate during the term of this Agreement not exceed \$15,000,000.00 inclusive of any unsecured indebtedness assumed in connection with such acquisitions; and (v) the Borrower shall have delivered to the Lender a pro forma compliance certificate demonstrating compliance with Section 7.11, inclusive (after giving effect to such acquisition on a pro forma basis) and certifying that no Default or Event of Default would exist after giving effect to such acquisition.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

“Quick Ratio” means the ratio of Current Assets to Current Liabilities.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Request for Credit Extension” means (a) with respect to a borrowing, conversion or continuation of a Loan, a Loan Notice, and (b) with respect to an L/C Credit Extension, a Letter of Credit Application.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer or assistant treasurer of the Borrower. Any document delivered hereunder that is signed by a Responsible Officer of the Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other equity interest of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other equity interest or of any option, warrant or other right to acquire any such capital stock or other equity interest.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Shareholders’ Equity” means, as of any date of determination, consolidated shareholders’ equity of the Borrower and its Subsidiaries as of that date determined in accordance with GAAP.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include the Lender or any Affiliate of the Lender).

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Threshold Amount” means Two Million Five Hundred Thousand Dollars (\$2,500,000.00).

“Total Outstandings” means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” and “U.S.” mean the United States of America.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words “herein,” “hereto,” “hereof” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term “including” is by way of example and not limitation.

(iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms. (a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Lender shall so request, the Lender and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Lender), provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 References to Agreements and Laws. Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

1.06 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.07 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time.

ARTICLE II. THE COMMITMENT AND CREDIT EXTENSIONS

2.01 Loans. Subject to the terms and conditions set forth herein, the Lender agrees to make loans (each such loan, a "Loan") to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of the Commitment; provided, however, that after giving effect to any borrowing, the Total Outstandings shall not exceed the Commitment. Within the limits of the Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.04, and reborrow under this Section 2.01. A Loan may be a Base Rate Loan or a Eurodollar Rate Loan, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each borrowing, each conversion of a Loan from one Type to the other, and each continuation of a Eurodollar Rate Loan shall be made upon the Borrower's irrevocable notice to the Lender, which may be given by telephone. Each such notice must be received by the Lender not later than 1:00 p.m. (i) three Business Days prior to the requested date of any borrowing of, conversion to or continuation of a Eurodollar Rate Loan or of any conversion of a Eurodollar Rate Loan to a Base Rate Loan, and (ii) on the requested date of any borrowing of a Base Rate Loan. Notwithstanding anything to the contrary contained herein, but subject to the provisions of Section 9.02(d), any such telephonic notice may be given by an individual who has been authorized in writing to do so by a Responsible Officer of the Borrower. Each such telephonic notice must be confirmed promptly by delivery to the Lender of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each borrowing of, conversion to or continuation of a Eurodollar Rate Loan shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof. Except as provided in Section 2.03(c), each borrowing of or conversion to a Base Rate Loan shall be in a principal amount of \$100,000 or a whole multiple of \$50,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a borrowing, a conversion of a Loan from one Type to the other, or a continuation of a Eurodollar Rate Loan, (ii) the requested date of the borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of the Loan to be borrowed, converted or continued, (iv) the Type of Loan to be borrowed or to which an existing Loan is to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loan shall be made as, or converted to, a Base Rate Loan. Any such automatic conversion to a Base Rate Loan shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loan. If the Borrower requests a borrowing of, conversion to, or continuation of a Eurodollar Rate Loan in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if a borrowing is the initial Credit Extension, Section 4.01), the Lender shall make the proceeds of each Loan available to the Borrower either by (i) crediting the account of the Borrower on the books of the Lender with the amount of such proceeds or (ii) wire transfer of such proceeds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Lender by the Borrower; provided, however, that if on the date of the Loan Notice with respect to such borrowing is given, there are drawings under Letters of Credit that have not been reimbursed by the Borrower, then the proceeds of such borrowing shall be applied, first, to the payment in full of any such unreimbursed drawings, and second, to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate

Loan. During the existence of an Event of Default, no Loan may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Lender.

(d) The Lender shall promptly notify the Borrower of the interest rate applicable to any Interest Period for a Eurodollar Rate Loan upon determination of such interest rate. The determination of the Eurodollar Rate by the Lender shall be conclusive in the absence of demonstrable error. At any time that a Base Rate Loan is outstanding, the Lender shall notify the Borrower of any change in the Lender's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than eight (8) Interest Periods in effect.

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, the Lender agrees (A) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit for the account of the Borrower, and to amend or renew Letters of Credit previously issued by it, in accordance with subsection (b) below, and (B) to honor drafts under the Letters of Credit; provided that the Lender shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit if as of the date of such L/C Credit Extension, (y) the Total Outstandings would exceed the Commitment or (z) the Outstanding Amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) The Lender shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Lender from issuing such Letter of Credit, or any Law applicable to the Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Lender shall prohibit, or request that the Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Lender is not otherwise compensated

hereunder) not in effect on the Closing Date, or shall impose upon the Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Lender in good faith deems material to it;

(B) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal;

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date;

(D) the issuance of such Letter of Credit would violate one or more policies of the Lender; or

(E) such Letter of Credit is in an initial amount less than \$100,000, or is to be denominated in a currency other than Dollars.

(iii) The Lender shall be under no obligation to amend any Letter of Credit if (A) the Lender would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Renewal Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the Lender in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such L/C Application must be received by the Lender not later than 1:00 p.m., at least two Business Days (or such later date and time as the Lender may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the Lender may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the Lender (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the Lender may require.

(ii) Upon the Lender's determination that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the Lender shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the Lender's usual and customary business practices.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the Lender may, in its sole and absolute discretion, agree to issue a Letter of Credit that has (A) automatic renewal provisions (each, an "Auto-Renewal Letter of Credit") or (B) an expiry date of more than twelve months after the date of issuance; provided that any such Auto-Renewal Letter of Credit must permit the Lender to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the Lender, the Borrower shall not be required to make a specific request to the Lender for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lender shall, subject to the terms and conditions set forth herein, permit the renewal of such Letter of Credit to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the Lender shall have no obligation to permit the renewal of any Auto-Renewal Letter of Credit at any time if it has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of Section 2.03(a)(ii) or otherwise).

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the Lender will also deliver to the Borrower a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the Lender shall notify the Borrower thereof. Not later than 1:00 p.m. on the date of any payment by the Lender under a Letter of Credit (each such date, an "Honor Date"), of which payment the Lender has provided notice to the Borrower, the Borrower shall reimburse the Lender in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the Lender, the Borrower shall be deemed to have requested a borrowing of a Base Rate Loan to be disbursed on the Honor Date in an amount equal to the amount of such unreimbursed drawing, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Commitment and the conditions set forth in Section 4.02 (other than the delivery of a Loan Notice).

(ii) If the Borrower fails to reimburse the Lender for any drawing under any Letter of Credit (whether by means of a borrowing or otherwise), such unreimbursed amount shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate.

(d) **Obligations Absolute.** The obligation of the Borrower to reimburse the Lender for each drawing under each Letter of Credit shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law, in each such case, other than any such payment resulting from the gross negligence or willful misconduct of the Lender; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will promptly notify the Lender. The Borrower shall be conclusively deemed to have waived any such claim against the Lender and its correspondents unless such notice is given as aforesaid.

(e) Role of Lender. The Borrower agrees that, in paying any drawing under a Letter of Credit, the Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the Lender, any of its Affiliates, any of the respective officers, directors, employees, agents or attorneys-in-fact of the Lender and its Affiliates, nor any of the respective correspondents, participants or assignees of the Lender shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(d); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the Lender, and the Lender may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the Lender's willful misconduct or gross negligence or the Lender's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(f) Cash Collateral. Upon the request of the Lender, (i) if the Lender has honored any full or partial drawing request under any Letter of Credit and such drawing has not been reimbursed on the applicable Honor Date in accordance with Section 2.03(c), or (ii) if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall promptly Cash Collateralize the then Outstanding Amount of all L/C Obligations (in an amount equal to such Outstanding Amount determined as of the applicable Honor Date or the Letter of Credit Expiration Date, as the case may be). For purposes hereof, "Cash Collateralize" means to pledge and deposit with or deliver to the Lender, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably to the Lender. Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Lender a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at the Lender.

(g) Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the Lender and the Borrower when a Letter of Credit is issued (i) the rules of the "International Standby Practices 1998" published by the Institute of International

Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the “ICC”) at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each commercial Letter of Credit.

(h) Letter of Credit Fees. The Borrower shall pay to the Lender a Letter of Credit fee for each Letter of Credit equal to the Applicable Rate times the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit). Such letter of credit fees shall be computed on a quarterly basis in arrears. Such letter of credit fees shall be due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. If there is any change in the Applicable Rate during any quarter, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(i) Documentary and Processing Charges Payable to Lender. The Borrower shall pay to the Lender the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Lender relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(j) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

2.04 Prepayments.

(a) The Borrower may, upon notice to the Lender, at any time or from time to time voluntarily prepay any Loan in whole or in part without premium or penalty; provided that (i) such notice must be received by the Lender not later than 1:00 p.m. (A) three Business Days prior to any date of prepayment of a Eurodollar Rate Loan, and (B) on the date of prepayment of a Base Rate Loan; (ii) any prepayment of a Eurodollar Rate Loan shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof; and (iii) any prepayment of a Base Rate Loan shall be in a principal amount of \$100,000 or a whole multiple of \$50,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loan(s) to be prepaid. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Section 3.05.

(b) If for any reason the Total Outstandings at any time exceed the Commitment then in effect, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.04(b) unless after the prepayment in full of the Loans the Total Outstandings exceed the Commitment then in effect.

2.05 Termination or Reduction of Commitment. The Borrower may, upon notice to the Lender, terminate the Commitment, or from time to time permanently reduce the Commitment; provided that (i) any such notice shall be received by the Lender not later than 1:00 p.m., five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$250,000 or any whole multiple of \$50,000 in excess thereof, (iii) the Borrower shall not terminate or reduce the Commitment if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Commitment, and (iv) if, after giving effect to any reduction of the Commitment, the Letter of Credit Sublimit exceeds the amount of the Commitment, such Sublimit shall be automatically reduced by the amount of such excess.

2.06 Repayment of Loans. The Borrower shall repay to the Lender on the Maturity Date the aggregate principal amount of Loans outstanding on such date.

2.07 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate minus the Applicable Rate.

(b) If any amount payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Furthermore, while any Event of Default exists, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.08 Fees.

In addition to certain fees described in subsections (h) and (i) of Section 2.03 Borrower shall maintain on deposit with the Lender collected funds equal to the greater of: (a) forty percent (40%) of total cash or cash equivalents of the Borrower available for investment; or (b) Ten Million (\$10,000,000.00) Dollars (the "Compensating Balances"). If the Borrower fails to maintain the Compensating Balances, the Lender reserves the right to adjust the Applicable Rate to compensate the Lender for its loss of its required rate of return.

2.09 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by the Lender's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.11(a), bear interest for one day.

2.10 Evidence of Debt. The Credit Extensions made by the Lender shall be evidenced by one or more accounts or records maintained by the Lender in the ordinary course of business. The accounts or records maintained by the Lender shall be conclusive absent demonstrable error of the amount of the Credit Extensions made by the Lender to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. Upon the request of the Lender, the Borrower shall execute and deliver to the Lender a Note, which shall evidence the Lender's Loans in addition to such accounts or records. The Lender may attach schedules to the Note and endorse thereon the date, Type, amount and maturity of each Loan and payments with respect thereto.

2.11 Payments Generally.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Lender at the applicable Lending Office in Dollars and in immediately available funds not later than 3:00 p.m. on the date specified herein. All payments received by the Lender after 3:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) Nothing herein shall be deemed to obligate the Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by the

Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

**ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY**

3.01 Taxes.

(a) Any and all payments by the Borrower to or for the account of the Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding taxes imposed on or measured by its overall net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Lender is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, the Borrower shall furnish to the Lender the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Lender, the Borrower shall also pay to the Lender, at the time interest is paid, such additional amount that the Lender reasonably specifies is necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) that the Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify the Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Lender, (ii) amounts payable under Section 3.01(c) and (iii) any liability (including additions to tax, penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the

relevant Governmental Authority, other than Taxes or liability resulting from the Lender's gross negligence or willful misconduct. Payment under this subsection (d) shall be made within 30 days after the date the Lender makes a demand therefor.

3.02 Illegality. If the Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Lender or its Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by the Lender to the Borrower, any obligation of the Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from the Lender, prepay or, if applicable, convert all Eurodollar Rate Loans to Base Rate Loans, either on the last day of the Interest Period therefor, if the Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if the Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. The Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of the Lender, otherwise be materially disadvantageous to the Lender.

3.03 Inability to Determine Eurodollar Rate. If the Lender determines that for any reason adequate and reasonable means do not exist for determining the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or that the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lender of funding such Loan, the Lender will promptly so notify the Borrower. Thereafter, the obligation of the Lender to make or maintain Eurodollar Rate Loans shall be suspended until the Lender revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of a Eurodollar Rate Loan or, failing that, will be deemed to have converted such request into a request for a borrowing of a Base Rate Loan in the amount specified therein.

3.04 Increased Cost and Reduced Return; Capital Adequacy.

(a) If the Lender determines that as a result of the introduction of or any change in or in the interpretation of any Law, or the Lender's compliance therewith, there shall be any increase in the cost to the Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans or issuing Letters of Credit, or a reduction in the amount received or receivable by the Lender in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 3.01 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of which the Lender is organized or has its Lending Office, and (iii) reserve requirements utilized in the determination of the Eurodollar Rate), then from time to time upon demand of the Lender, the Borrower shall pay to the Lender such additional amounts as will compensate the Lender for such increased cost or reduction.

(b) If the Lender determines that the introduction of any Law regarding capital adequacy or any change therein or in the interpretation thereof, or compliance by the Lender (or its Lending Office) therewith, has the effect of reducing the rate of return on the capital of the Lender or any corporation controlling the Lender as a consequence of the Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and the Lender's desired return on capital), then from time to time upon demand of the Lender, the Borrower shall pay to the Lender such additional amounts as will compensate the Lender for such reduction.

3.05 Funding Losses. Upon demand of the Lender from time to time, the Borrower shall promptly compensate the Lender for and hold the Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of the Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower,

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by the Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lender under this Section 3.05, the Lender shall be deemed to have funded each Eurodollar Rate Loan at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Requests for Compensation. A certificate of the Lender claiming compensation under this Article III and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of demonstrable error. In determining such amount, the Lender may use any reasonable averaging and attribution methods. Any claim for compensation under this Article III shall be made by the Lender within a reasonable time after it becomes aware of the circumstances giving rise to such claim.

3.07 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Commitment and repayment of all other Obligations hereunder.

ARTICLE IV. CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension. The obligation of the Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Lender's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Lender and its legal counsel:

(i) executed counterparts of this Agreement, sufficient in number for distribution to the Lender and the Borrower;

(ii) if requested by the Lender, a Note executed by the Borrower;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower as the Lender may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party;

(iv) such documents and certifications as the Lender may reasonably require to evidence that the Borrower is duly organized or formed, and that the Borrower is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion of Goodwin Proctor LLP, counsel to the Borrower, addressed to the Lender, as to the matters set forth in Exhibit E and such other matters concerning the Borrower and the Loan Documents as the Lender may reasonably request;

(vi) a certificate of a Responsible Officer of the Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by the Borrower and the validity against the Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;;

(viii) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect;

(ix) such other assurances, certificates, documents, consents or opinions as the Lender reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) The Borrower shall have paid all Attorney Costs of the Lender to the extent invoiced prior to the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Lender).

4.02 Conditions to all Credit Extensions. The obligation of the Lender to make any Credit Extension is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.

(b) No Default shall exist, or would result from such proposed Credit Extension.

(c) The Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension (other than a Loan Notice requesting only a conversion of a Loan to the other Type or a continuation of a Eurodollar Rate Loan) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

5.01 Existence, Qualification and Power; Compliance with Laws. Borrower (a) is a corporation duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan

Documents to which it is a party, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws; except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention. The execution, delivery and performance by the Borrower of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, (i) any Contractual Obligation to which such Person is a party or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower of this Agreement or any other Loan Document.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by the Borrower that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower that is party thereto in accordance with its terms.

5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) The unaudited consolidated financial statements of the Borrower and its Subsidiaries dated March 31, 2007, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the

case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. Schedule 5.05 sets forth all material indebtedness and other liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date of such financial statements as required by SEC guidelines.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

5.06 Litigation. Except as specifically disclosed in Schedule 5.06, there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or any of its Subsidiaries or against any of their properties or revenues that (a) purport to prevent, hinder or delay this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect.

5.07 No Default. Neither the Borrower nor any Subsidiary is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 Ownership of Property; Liens. Each of the Borrower and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Borrower and its Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.01.

5.09 Environmental Compliance. The Borrower and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Borrower has reasonably concluded that, except as specifically disclosed in Schedule 5.09, such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.10 Insurance. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts (after giving effect to any self-insurance compatible with the following standards), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates.

5.11 Taxes. The Borrower and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other

material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower or any Subsidiary that would, if made, have a Material Adverse Effect.

5.12 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened (in writing) claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

5.13 Subsidiaries. The Borrower has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.13 and has no equity investments in any other corporation or entity other than those specifically disclosed in Part(b) of Schedule 5.13.

5.14 Margin Regulations; Investment Company Act.

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person Controlling the Borrower, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

5.15 Disclosure. The Borrower has disclosed to the Lender all agreements and instruments to which it or any of its Subsidiaries is subject that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (in writing) by or on behalf of the Borrower to the Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by or when taken together with other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 Compliance with Laws. Each of the Borrower and each Subsidiary is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 Intellectual Property; Licenses, Etc.

The Borrower and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, “IP Rights”) that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. Except as specifically disclosed in Schedule 5.18, no claim or litigation regarding any of the foregoing is pending or, to the knowledge of the Borrower, threatened in writing, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

**ARTICLE VI.
AFFIRMATIVE COVENANTS**

So long as the Commitment shall be in effect, any Loan or other Obligation hereunder (other than unasserted contingent indemnification obligations) shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, 6.03 and 6.11) cause each Subsidiary to:

6.01 Financial Statements. Deliver to the Lender, in form and detail reasonably satisfactory to the Lender:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of PriceWaterhouseCoopers or another independent certified public accountant of nationally recognized standing reasonably acceptable to the Lender, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit;

(b) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting in all material respects the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes; and

(c) as soon as available, but in any event within 90 days after the end of such fiscal year of the Borrower, a budget for the then current year, in form and substance reasonably satisfactory to the Lender.

As to any information contained in materials furnished pursuant to Section 6.02, the Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in subsections (a) and (b) above at the times specified therein.

6.02 Certificates; Other Information. Deliver to the Lender, in form and detail reasonably satisfactory to the Lender:

(a) [Reserved];

(b) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;

(c) promptly after any request by the Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent

accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;

(d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Lender pursuant hereto; and

(e) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 9.02; provided that: (i) if the Lender so requests, the Borrower shall deliver paper copies of such documents to the Lender until a written request to cease delivering paper copies is given by the Lender and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Lender of the posting of any such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(b) to the Lender.

6.03 Notices. Promptly notify the Lender:

(a) of the occurrence of any Event of Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any ERISA Event; and

(d) of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary;

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 Payment of Obligations. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness; except in each case referred to in clause (a), (b) or (c), unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary.

6.05 Preservation of Existence, Etc. Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.04 or 7.05; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties. Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons and providing for not less than 30 days' prior notice to the Lender of termination, lapse or cancellation of such insurance.

6.08 Compliance with Laws. Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, write, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09 Books and Records. Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or such Subsidiary, as the case may be.

6.10 Inspection Rights. Permit representatives and independent contractors of the Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists the Lender (or any of its representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.11 Use of Proceeds. Use the proceeds of the Credit Extensions for general corporate purposes not in contravention of any Law or of any Loan Document.

ARTICLE VII. NEGATIVE COVENANTS

So long as the Commitment shall be in effect, any Loan or other Obligation hereunder (other than unasserted contingent indemnification obligations) shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.03(b);

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to

judgments or litigation), performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h) or securing appeal or other surety bonds related to such judgments;

(i) Liens securing Indebtedness permitted under Section 7.03(e); provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby does not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition.

7.02 Investments. Make any Investments, except:

(a) Investments held by the Borrower or such Subsidiary in the form of cash equivalents, short-term marketable securities or intermediate term government bonds;

(b) advances to officers, directors and employees of the Borrower and Subsidiaries in an aggregate amount not to exceed \$1,000,000.00 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;

(c) Investments of the Borrower in any wholly-owned Subsidiary and Investments of any wholly-owned Subsidiary in the Borrower or in another wholly-owned Subsidiary;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(e) Guarantees permitted by Section 7.03; and

(f) Permitted Acquisitions.

7.03 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.03 and any refinancings, refundings, renewals or extensions thereof; provided that the amount of such Indebtedness is not increased at the time of such refinancing, refunding.

renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder;

(c) Guarantees of the Borrower in respect of Indebtedness otherwise permitted hereunder of the Borrower;

(d) obligations (contingent or otherwise) of the Borrower or any Subsidiary existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a “market view;” and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(e) Indebtedness in respect of capital leases, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets within the limitations set forth in Section 7.01(i); provided, however, that the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed \$17,000,000.00 (inclusive of the Lender Lease Loan); and

(f) unsecured Indebtedness in an aggregate principal amount not to exceed \$500,000.00 at any time outstanding exclusive of unsecured Indebtedness permitted to be assumed in connection with Permitted Acquisitions.

7.04 Fundamental Changes. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, provided that when any wholly-owned Subsidiary is merging with another Subsidiary, the wholly-owned Subsidiary shall be the continuing or surviving Person; and

(b) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Subsidiary; provided that if the transferor in such a transaction is a wholly-owned Subsidiary, then the transferee must either be the Borrower or a wholly-owned Subsidiary.

7.05 Dispositions. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete, worn out or surplus property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory in the ordinary course of business;

(c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(d) Dispositions of property by any Subsidiary to the Borrower or to a wholly-owned Subsidiary; provided that if the transferor of such property is a Guarantor, the transferee thereof must either be the Borrower or a Guarantor;

(e) Dispositions permitted by Section 7.04;

(f) Licenses of IP Rights of similar assets of the Borrower in the ordinary course of its business.

provided, however, that any Disposition pursuant to clauses (a) through (e) shall be for fair market value.

7.06 Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments to the Borrower and to wholly-owned Subsidiaries (and, in the case of a Restricted Payment by a non-wholly-owned Subsidiary, to the Borrower and any Subsidiary and to each other owner of capital stock or other equity interests of such Subsidiary on a pro rata basis based on their relative ownership interests);

(b) the Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock or other common equity interests of such Person; and

(c) the Borrower and each Subsidiary may purchase, redeem or otherwise acquire shares of its common stock or other common equity interests or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock or other common equity.

7.07 Change in Nature of Business. Engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Subsidiaries on the date hereof or any business substantially related or incidental thereto.

7.08 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Borrower, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Borrower or such Subsidiary as would be obtainable by the Borrower or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

7.09 Burdensome Agreements. Enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to the Borrower or any Guarantor or to otherwise transfer property to the Borrower or any Guarantor, (ii) of any Subsidiary to Guarantee the Indebtedness of the Borrower or (iii) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; provided, however, that this clause (iii) shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under Section 7.03(e) solely to the extent any such negative pledge relates to the property financed by or the subject of such Indebtedness; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

7.10 Use of Proceeds. Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.11 Financial Covenants.

(a) Consolidated Tangible Net Worth. Permit Consolidated Tangible Net Worth at any time to be less than Seventy-Five Million (\$75,000,000.00) Dollars.

(b) Quick Ratio. Permit the Quick Ratio at any time to be less than 1.5: 1.0.

(c) Minimum Profit. Permit the Borrower's annual net income (as determined in accordance with GAAP) before taxes and extraordinary items to be less than \$1.00.

**ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES**

8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation, or (ii) within three days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any fee due hereunder, or (iii) within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Section 6.01, 6.02, 6.03, 6.05, 6.10 or 6.11 or Article VII; or

(c) Other Defaults. The Borrower fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. The Borrower or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is

issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(h) Judgments. There is entered against the Borrower or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations (other than unasserted contingent indemnification obligations), ceases to be in full force and effect; or the Borrower in writing contests in any manner the validity or enforceability of any Loan Document; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Lender may take any or all of the following actions:

(a) declare the Commitment to be terminated, whereupon the Commitment shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise all rights and remedies available to it under the Loan Documents or applicable law;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the Commitment shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Lender.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Lender in such order as it elects in its sole discretion.

ARTICLE IX. MISCELLANEOUS

9.01 Amendments; Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Lender and the Borrower, as the case may be, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.02 Notices and Other Communications; Facsimile Copies.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the address, facsimile number or electronic mail address specified for notices to the applicable party on Schedule 9.02; or to such other address, facsimile number or electronic mail address as shall be designated by such party in a notice to the other party. All notices and other communications expressly permitted hereunder to be given by telephone shall be made to the telephone number specified for notices to the applicable party on Schedule 9.02, or to such other telephone number as shall be designated by such party in a notice to the other party. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail when delivered; provided, however, that notices and other communications to the Lender pursuant to Article II shall not be effective until actually received by the Lender. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as

manually-signed originals and shall be binding on the Borrower and the Lender. The Lender may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) **Reliance by Lender.** The Lender shall be entitled to rely and act upon any notices (including telephonic Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Lender, its Affiliates, and their respective officers, directors, employees, agents and attorneys-in-fact from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower, other than any such losses, costs, expenses and liabilities resulting from the Lender's gross negligence or willful misconduct. All telephonic notices to and other communications with the Lender may be recorded by the Lender, and the Borrower hereby consents to such recording.

9.03 No Waiver; Cumulative Remedies. No failure by the Lender to exercise, and no delay by the Lender in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.04 Attorney Costs, Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Lender for all costs and expenses reasonably incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses reasonably incurred by the Lender and the cost of independent public accountants and other outside experts retained by the Lender. All amounts due under this Section 9.04 shall be payable within thirty days after demand therefor. The agreements in this Section shall survive the termination of the Commitment and repayment, satisfaction or discharge of all other Obligations.

9.05 Indemnification by the Borrower. Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless the Lender, its Affiliates, and their respective directors, officers, employees, counsel, agents and

attorneys-in-fact (collectively the “Indemnitees”) from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) the Commitment, any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or, any Subsidiary or any Environmental Liability related in any way to the Borrower or, any Subsidiary, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the “Indemnified Liabilities”) provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 9.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the Commitment and the repayment, satisfaction or discharge of all the other Obligations.

9.06 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Lender, or the Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred.

9.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender and the Lender may not assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii)

by way of participation in accordance with the provisions of subsection (c) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (c) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) The Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of the Commitment, the Loans and L/C Obligations at the time owing to it) pursuant to documentation acceptable to the Lender and the assignee, it being understood and agreed that with respect to any Letters of Credit outstanding at the time of any such assignment, the Lender may sell to the assignee a ratable participation in such Letters of Credit. From and after the effective date specified in such documentation, such Eligible Assignee shall be a party to this Agreement and, to the extent of the interest assigned by the Lender, have the rights and obligations of the Lender under this Agreement, and the Lender shall, to the extent of the interest so assigned, be released from its obligations under this Agreement (and, in the case of an assignment of all of the Lender's rights and obligations under this Agreement, shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, 9.04 and 9.05 with respect to facts and circumstances occurring prior to the effective date of such assignment, and shall continue to have all of the rights provided hereunder to the Lender in its capacity as issuer of any Letters of Credit outstanding at the time of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver new or replacement Notes to the Lender and the assignee, and shall execute and deliver any other documents reasonably necessary or appropriate to give effect to such assignment and to provide for the administration of this Agreement after giving effect thereto.

(c) The Lender may at any time, without the consent of, or notice to, the Borrower, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of the Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the outstanding Letters of Credit and/or the Loans and/or the reimbursement obligations in respect of Letters of Credit); provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the Borrower for the performance of such obligations and (iii) the Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that the Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that the Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (i) postpone any date upon which any payment of money is scheduled to be made to such

Participant, or (ii) reduce the principal, interest, fees or other amounts payable to such Participant. Subject to subsection (d) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were the Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.09 as though it were the Lender.

(d) A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to provide to the Lender such tax forms prescribed by the IRS as are necessary or desirable to establish an exemption from, or reduction of, U.S. withholding tax.

(e) The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under the Note, if any) to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

(f) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) an Affiliate of the Lender; (b) an Approved Fund; and (c) any other Person (other than a natural person) approved by the Borrower (such approval not to be unreasonably withheld or delayed); provided that no such approval shall be required if an Event of Default has occurred and is continuing.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (a) the Lender or (b) an Affiliate of the Lender.

9.08 Confidentiality. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party

hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Lender on a nonconfidential basis from a source other than the Borrower. For purposes of this Section, “Information” means all information received from the Borrower relating to the Borrower or any of its businesses, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Borrower, provided that, in the case of information received from the Borrower after the date hereof, such information either (x) consists of financial statements or (y) is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

9.09 Set-off. In addition to any rights and remedies of the Lender provided by law, upon the occurrence and during the continuance of any Event of Default, the Lender is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, the Lender to or for the credit or the account of the Borrower against any and all Obligations then due and owing to the Lender hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not the Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be denominated in a currency different from that of the applicable deposit or indebtedness. The Lender agrees promptly to notify the Borrower after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

9.10 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If the Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Lender exceeds the Maximum Rate, the Lender may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

9.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.12 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Lender in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

9.13 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Lender, regardless of any investigation made by the Lender or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

9.14 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.15 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT THE LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS SITTING IN THE CITY OF BOSTON OR OF THE UNITED STATES FOR THE EASTERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER AND THE LENDER EACH CONSENTS, FOR

ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER AND THE LENDER EACH IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE BORROWER AND THE LENDER EACH WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

9.16 Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

9.17 Dispute Resolution Provision.

This paragraph, including the subparagraphs below, is referred to as the “Dispute Resolution Provision.” This Dispute Resolution Provision is a material inducement for the parties entering into this agreement.

(a) This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this agreement (including any renewals, extensions or modifications); or (ii) any document related to this agreement (collectively a “Claim”). For the purposes of this Dispute Resolution Provision only, the term “parties” shall include any parent corporation, subsidiary or affiliate of the Lender involved in the servicing, management or administration of any obligation described or evidenced by this agreement.

(b) At the request of any party to this agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the “Act”). The Act will apply even though this agreement provides that it is governed by the law of a specified state.

(c) Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof (“AAA”), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Lender may designate another arbitration organization with similar procedures to serve as the provider of arbitration.

(d) The arbitration shall be administered by AAA and conducted, unless otherwise required by law, in any U.S. state where real or tangible personal property collateral for this credit is located or if there is no such collateral, in the state specified in the governing law section of this agreement. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars (\$5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.

(e) The arbitrator(s) will give effect to statutes of limitation in determining any Claim and may dismiss the arbitration on the basis that the Claim is barred. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as set forth at subparagraph (h) of this Dispute Resolution Provision. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this agreement.

(f) This paragraph does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

(g) The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration.

(h) Any arbitration or trial by a judge of any Claim will take place on an individual basis without resort to any form of class or representative action (the “Class Action Waiver”). Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court and not by an arbitrator. The parties to this Agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties’ agreement to arbitrate shall be null and void with respect to such proceeding, subject to

the right to appeal the limitation or invalidation of the Class Action Waiver. **The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.**

(i) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

9.18 USA Patriot Act Notice. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Act.

9.19 Time of the Essence.

Time is of the essence of the Loan Documents.

9.20 ENTIRE AGREEMENT. This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

iROBOT CORPORATION

By: /s/ Geoffrey P. Clear

Name: Geoffrey P. Clear

Title: Chief Financial Officer

BANK OF AMERICA, N.A.

By: /s/ Richard J. MacDonald

Name: Richard J. MacDonald

Title: Vice President

SUPPLEMENT TO INTERIM FINANCIAL STATEMENTS

NONE

Schedule 5.05

LITIGATION

NONE

Schedule 5.06

ENVIRONMENTAL MATTERS

NONE

Schedule 5.09

**SUBSIDIARIES
AND OTHER EQUITY INVESTMENTS**

Part (a). Subsidiaries.

- a. **iRobot Securities Corporation**, a Massachusetts securities corporation (FID: 203-911-125)
- b. **iRobot US Holdings, Inc.**, a Delaware corporation (FID: 20-3635237)
- c. **iRobot Holdings LLC**, a Delaware corporation (FID: 20-3635307)
- d. **iRobot (India) Private Limited**, an Indian corporation (No.: U72200KA2005PTC037429)
- e. **iRobot Corporation** a registered office in Hong Kong (No. 33844790-000-08-05-3)
- f. **Shenzhen iRobot Robot Technology Consulting Company Limited**

Part (b). Other Equity Investments.

NONE

Schedule 5.13

INTELLECTUAL PROPERTY MATTERS

NONE

Schedule 5.18

EXISTING LIENS

Security interest in accounts arising from the Borrower's sales of good or performance of services to Brookstone Purchasing, Inc., granted to The CIT Group Commercial Services, Inc. pursuant to UCC financing statement no. 61164292 filed with the Delaware Secretary of State on April 6, 2006.

Schedule 7.01

EXISTING INDEBTEDNESS

NONE

Schedule 7.03

NOTICE ADDRESSES AND LENDING OFFICE

BORROWER:

iRobot Corporation
63 South Avenue
Burlington, Massachusetts 01803
Attention: Joseph P. Mullin
Telephone: (781) 418-3187
Facsimile: (781) 345-0201
Electronic Mail: jmulin@irobot.com
Website Address: www.irobot.com

with a copy to:

Goodwin Procter LLP
53 State Street
Boston, Massachusetts 02109
Attention: Mark D. Smith
Telephone: (617) 570-1740
Facsimile: (617) 523-1231
Electronic Mail: marksmith@goodwinprocter.com
Website Address: www.goodwinprocter.com

LENDER

*Lending Office for Loans, payments with
respect thereto and payments of fees other than
Letter of Credit fees:*

BANK OF AMERICA, N.A.

100 Federal Street
Boston, Massachusetts 02110
Mail Code: MA5-100-07-07
Attn: M. Fay Green
Telephone: (617) 434-2537
Facsimile: (617) 434-2152
Electronic Mail: myrna.f.green@bankofamerica.com
Account No.1093601001000
Ref:Company No.493
ABA# 026009593

with a copy to:

Goulston & Storrs P.C.
400 Atlantic Avenue
Boston, Massachusetts 02110

Attn: James H. Lerner, Esq.
Telephone: (617) 574-3525
Facsimile: (617) 574-7607
Electronic Mail: jlerner@goulstonstorrs.com

***Lending Office for Letters of Credit and
payments with respect thereto, including
Letter of Credit fees:***

BANK OF AMERICA, N.A
Attn: Kathy Hudson CT2-515-BB12.
Transaction Processing
70 Batterson Park Road
Farmington, CT 06032

Fax Advance and Payment Requests to:
(888) 841-8160

Section 9.02 (ii)

Notices (other than Requests for Credit Extensions):

BANK OF AMERICA, N.A.

100 Federal Street

Boston, Massachusetts 02110

Mail Code: MA5-100-07-06

Attn: Mr. Richard J. MacDonald

Telephone: (617) 434-4288

Facsimile: (617) 434-8102

Electronic mail: richard.j.macdonald@bankofamerica.com

Section 9.02 (iii)

FORM OF LOAN NOTICE

Date: _____

To: Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of June 5, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), between iRobot Corporation, a Delaware corporation, and Bank of America, N.A..

The undersigned hereby requests (select one):

A Loan A Conversion or Continuation of a Loan

1. On ___ (a Business Day).
2. In the amount of \$___.
3. Comprised of_____.

[Type of Loan requested]

4. For a Eurodollar Rate Loan: with an Interest Period of ___ months.

[The borrowing requested herein complies with the proviso to the first sentence of Section 2.01 of the Agreement.]

iRobot Corporation

By: _____
Name: _____
Title: _____

Exhibit A1

FORM OF NOTE

\$35,000,000.00

_____, 2007

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to the order of BANK OF AMERICA, N.A. (the "Lender"), on the Maturity Date (as defined in the Credit Agreement referred to below) the principal amount of Thirty Five Million Dollars (\$35,000,000.00), or such lesser principal amount of Loans (as defined in such Credit Agreement) due and payable by the Borrower to the Lender on the Maturity Date under that certain Credit Agreement, dated as of June 5, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), between the Borrower and the Lender.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates, and at such times as are specified in the Agreement. All payments of principal and interest shall be made to the Lender in Dollars in immediately available funds at the Lender's Lending Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is the Note referred to in the Agreement, is entitled to the benefits thereof and is subject to optional prepayment in whole or in part as provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of the Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

Exhibit B (i)

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

iRobot Corporation

By: _____

Name: _____

Title: _____

Exhibit B (ii)

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

Exhibit B (iii)

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____,

To: Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of June 5, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), between iRobot Corporation, a Delaware corporation (the "Borrower") and Bank of America, N.A. (the "Lender").

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Lender on the behalf of the Borrower, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following paragraph 1 for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

Exhibit C (i)

[to the knowledge of the undersigned during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it.]

—or—

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower contained in Article V of the Agreement, or which are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date specified therein.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, ____.

iRobot Corporation

By: _____

Name: _____

Title: _____

Exhibit C (ii)

SCHEDULE 2
to the Compliance Certificate
(\$ in 000's)

I. Section 7.11(a) — Consolidated Tangible Net Worth.

A. Actual Consolidated Tangible Net Worth at Statement Date:

1. Shareholders' Equity:	\$	
2. Intangible Assets:	\$	
3. Consolidated Tangible Net Worth (Line I.A1 less Line I.A.2):	\$	
B. Minimum required Consolidated Tangible Net Worth		\$ 75,000,000.00

C. Excess (deficient) for covenant compliance (Line I.A — I.B):

\$

II. Section 7.11(b) -Quick Ratio.

A. Current Assets:

1. Cash:	\$	
2. Marketable Securities:	\$	
3. Accounts Receivables:	\$	
4. Inventory:	\$	
5. Current Assets:(Lines II.A.1 + 2 + 3 - 4):	\$	

B. Current Liabilities for Subject Period:

\$

C. Quick Ratio (Line II.A.5 , Line II.B):

1.5 to 1

*Minimum required:***III. Section 7.11(c) — Minimum Profit.**

A. Net Income (exclusive of taxes and extraordinary items)

\$

B. Minimum Requirement

\$ 1.00

Exhibit C (iii)

OPINION MATTERS

The matters contained in the following Sections of the Credit Agreement should be covered by the legal opinion:

- Section 5.01(a),(b)(c) and (d)
- Section 5.02
- Section 5.03
- Section 5.04
- Section 5.06
- Section 5.14(b)

Exhibit E



Banc of America Leasing & Capital, LLC

Master Loan and Security Agreement Number: 17507-70000

This Master Loan and Security Agreement, dated as of June 13, 2007 (this “**Agreement**”), is by and between **Banc of America Leasing & Capital, LLC**, a Delaware limited liability company having an office at One Financial Plaza, Providence, RI 02903 (together with its successors and assigns, “**Lender**”), and **iRobot Corporation** as “**Borrower**”, a corporation existing under the laws of the state of Delaware, and having its chief executive office and any organizational identification number as specified with its execution of this Agreement below. **Certain defined terms used herein are identified in bold face and quotation marks throughout this Agreement and in Section 14 below.** This Agreement sets forth the terms and conditions for the financing of Equipment between Lender and Borrower pursuant to one or more “**Equipment Notes**” incorporating by reference the terms of this Agreement, together with all exhibits, addenda, schedules, certificates, riders and other documents and instruments executed and delivered in connection with such Equipment Note (as amended from time to time, an “**Equipment Note**”). Each Equipment Note constitutes a separate, distinct and independent financing of Equipment and contractual obligation of Borrower. This Agreement is not an agreement or commitment by Lender or Borrower to enter into any future Equipment Notes or other agreements, or for Lender to provide any financial accommodations to Borrower. Lender shall not be obligated under any circumstances to advance any progress payments or other funds for any Equipment or to enter into any Equipment Note if there shall have occurred a material adverse change in the operations, business, properties or condition, financial or otherwise, of Borrower or any Guarantor since the delivery of the most recent annual audited financial statements of Borrower in accordance with Section 13. This Agreement and each Equipment Note shall become effective only upon Lender’s acceptance and execution thereof at its corporate offices set forth above.

1. Equipment Notes; Grant of Security Interest. Lender and Borrower agree to finance Equipment described in one or more Equipment Notes entered into from time to time, together with all other documentation from Borrower required by Lender with respect to such Equipment Note. Upon receipt of any item or group of Equipment intended for financing hereunder, Borrower shall execute an Equipment Note, with all information fully completed and irrevocably accepting such Equipment for Equipment Note, and deliver such Equipment Note to Lender for its review and acceptance. To secure the punctual payment and performance of Borrower’s Obligations under each Equipment Note and, as a separate grant of security, to secure the payment and performance of all other Obligations owing to Lender, Borrower grants to Lender a continuing security interest in all of Borrower’s right, title and interest in and to all Equipment, together with: (i) all parts, attachments, accessories and accessions to, substitutions and replacements for, each item of Equipment; (ii) all accounts, chattel paper, and general intangibles arising from or related to any sale, lease, rental or other disposition of any Equipment to third parties, or otherwise resulting from the possession, use or operation of any Equipment by third parties, including instruments, investment property, deposit accounts, letter of credit rights, and supporting obligations arising thereunder or in connection therewith; (iii) all insurance, warranty and other claims against third parties with respect to any Equipment; (iv) all software and other intellectual property rights used in connection therewith; (v) proceeds of all of the foregoing, including insurance proceeds and any proceeds in the form of goods, accounts, chattel paper, documents, instruments, general intangibles, investment property, deposit accounts, letter of credit rights and supporting obligations; and (vi) all books and records regarding the foregoing, in each case, now existing or hereafter arising (the “**Collateral**”). Provided that there then exists no Event of Default, Lender’s security interest in Collateral subject to an Equipment Note shall terminate upon the payment and performance of all Obligations of Borrower under the applicable Equipment Note. Notwithstanding the grant of a security interest in any Collateral, Borrower shall have no right to sell, lease, rent, dispose or surrender possession, use or operation of any Equipment to any third parties without the prior written consent of Lender.

2. Payments. Each Equipment Note shall provide for scheduled “**Payments**” of principal and interest payable by Borrower to Lender in the amounts and at the times during the “**Equipment Note Term**” through and including the “**Maturity Date**”, all as provided in the Equipment Note. If any Payment or other amount payable hereunder is not paid within 10 days of its due date, Borrower shall pay an administrative late charge of 5% of the amount not timely paid. Such amount shall be payable in addition to all amounts payable by Borrower as a result of the exercise of any of the remedies herein provided. All Payments and other amounts payable under an Equipment Note shall be made in immediately available funds at Lender’s address above or such other place as Lender shall specify in writing. Borrower shall have the right to prepay any Equipment Note upon payment of the prepayment charge provided in the applicable Equipment Note, if any. It is the intention of Lender to comply with all applicable usury laws and, accordingly, it is agreed that notwithstanding anything to the contrary contained herein or in any Equipment Note, in no event shall any provision herein or therein require or permit interest in excess of the maximum amount permitted by applicable law. If necessary to give effect to these provisions, Lender will, at its option, in accordance with applicable law, either refund any amount to Borrower to the extent in excess of that allowed by applicable law, or credit such excess amount against the then unpaid principal balance under the applicable Equipment Note(s). Unless otherwise provided herein, all amounts received under any Equipment Note will be applied, first, to accrued late charges, fees and other costs and expenses due and owing, second, to accrued interest and, third, to unpaid principal.

3. Unconditional Financing; Disclaimer Of Warranties. Borrower’s Obligations under each Equipment Note (i) shall be non-cancelable, absolute and unconditional under all circumstances for the entire Equipment Note Term, (ii) shall be unaffected by the loss or destruction of any Equipment, and (iii) shall not be subject to any abatement, deferment, reduction, set-off, counterclaim, recoupment or defense for any reason whatsoever. LENDER IS NOT A VENDOR OR AGENT OF THE EQUIPMENT VENDOR, AND HAS NOT ENGAGED IN THE SALE OR DISTRIBUTION OF ANY EQUIPMENT. LENDER MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES AS TO TITLE, MERCHANTABILITY, PERFORMANCE, CONDITION, EXISTENCE, FITNESS OR SUITABILITY FOR BORROWER’S PURPOSES OF ANY EQUIPMENT, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENTS, THE CONFORMITY OF THE EQUIPMENT TO THE DESCRIPTION THEREOF IN ANY EQUIPMENT NOTE OR ANY OTHER REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO THE EQUIPMENT. If Equipment is not delivered or properly installed, does not operate as warranted, becomes obsolete, or is unsatisfactory for any reason, Borrower shall make all claims on account thereof solely against Vendor and not against Lender. Borrower is solely responsible for the selection, shipment, delivery and installation of the Equipment and its Vendors, expressly disclaims any reliance upon any statements or representations made by Lender in connection therewith, and has received and approved the terms of any purchase orders, warranties, licenses or agreements with respect to the Equipment. To the extent that the manufacturer of Equipment provides any warranties with respect thereto, Borrower shall enforce such warranties and obtain at its own

expense the customary services furnished by the manufacturer in connection with the Equipment.

4. Use; Maintenance; Location; Inspection. Borrower shall: (i) use, operate, protect and maintain the Equipment (a) in good operating order, repair, condition and appearance, in the same condition as when received, ordinary wear and tear excepted, (b) consistent with prudent industry practice (but in no event less than the extent to which Borrower maintains other similar equipment in the prudent management of its assets and properties), and (c) in compliance with all applicable insurance policies, laws, ordinances, rules, regulations and manufacturer's recommended maintenance and repair procedures, and (ii) maintain comprehensive books and records regarding the use, operation, maintenance and repair of the Equipment. The Equipment shall be used only within the 48 contiguous United States, solely for business purposes (and not for any consumer, personal, home, or family purpose), and shall not be abandoned or used for any unlawful purpose. Borrower shall not discontinue use of Equipment valued at more than \$100,000.00 in the aggregate except for normal maintenance nor, through modifications, alterations or otherwise, impair the current or residual value, useful life, utility or originally intended function of any Equipment without Lender's prior consent. Any replacement or substitution of parts, improvements, upgrades, or additions to the Equipment during the Equipment Note Term shall be part of the Collateral subject to Lender's security interest and subject to the Equipment Note, except that if no Event of Default exists, Borrower may at its expense remove improvements or additions provided by Borrower that can be readily removed without impairing the value, function or remaining useful life of the Equipment. Borrower shall not change the location or, in the case of over-the-road vehicles, the base of Equipment valued at more than \$100,000.00 in the aggregate specified in its Equipment Note without Lender's prior written consent. Lender shall have the right to enter any premises where Equipment is located and inspect it (together with related books and records) at any reasonable time during regular business hours upon reasonable prior notice.

5. Loss And Damage. Borrower assumes all risk of (and shall promptly notify Lender in writing of any occurrence of) any damage to or loss, theft, confiscation or destruction of Equipment valued at more than \$100,000.00 in the aggregate from any cause whatsoever (a "**Casualty**"). If any Equipment suffers a Casualty which Lender determines is repairable, Borrower shall at its expense promptly place the same in good repair, condition or working order. If any Equipment suffers a Casualty which Lender determines is beyond repair or materially impairs its residual value (a "**Total Loss**"), Borrower shall at Lender's option either (a) promptly replace such Equipment with a similar item reasonably acceptable to Lender having an equivalent value, utility and remaining useful life of such Equipment, whereupon such replacement items shall constitute Equipment and Collateral for all purposes hereunder and the applicable Equipment Note, or (b) on the Payment date following such Casualty pay Lender the Prepayment Amount for such Equipment, together with the Payment scheduled for payment on such date, and all accrued interest, late charges and other amounts then due and owing under the Equipment Note. Upon such payment following a Total Loss, the Equipment Note with respect to the Equipment suffering a Total Loss shall be deemed discharged, and Lender's security interest in such Equipment shall terminate. If less than all Equipment under a Equipment Note suffers a Total Loss, (i) the Prepayment Amount with respect to any such item of Equipment shall be calculated by reference to the allocable portion of the unpaid principal balance of the applicable Equipment Note, as reasonably determined by Lender, and (ii) the remaining Payments under the Equipment Note shall be proportionately reduced as reasonably calculated by Lender upon Lender's receipt of the payments described above.

6. Insurance. Borrower, at its own expense, shall keep each item of Equipment insured against all risks for its replacement value, and in no event less than its Prepayment Amount, and shall maintain public liability and, with respect to any Equipment that is over-the-road vehicles, automotive liability insurance against such risks and for such amounts as Lender may require. All such insurance shall (a) be with companies rated "A-" or better by A.M. Best Company, in such form as Lender shall approve, (b) specify Lender and Borrower as insureds and provide that it may not be canceled or altered in any way that would affect the interest of Lender without at least 30 days' prior written notice to Lender (10 days' in the case of nonpayment of premium), (c) be primary, without right of contribution from any other insurance carried by Lender and contain waiver of subrogation and "breach of warranty" provisions satisfactory to Lender, (d) provide that all amounts payable by reason of loss or damage to Equipment shall be payable solely to Lender (excepting therefrom insurance proceeds not in excess of \$100,000.00), unless Lender otherwise agrees, and (e) contain such other endorsements as Lender may reasonably require. Borrower shall provide Lender with evidence satisfactory to Lender of the required insurance upon the execution of any Equipment Note and promptly upon any renewal of any required policy.

7. Indemnities; Taxes. Borrower's indemnity and reimbursement obligations set forth below shall survive the cancellation, termination or expiration of any Equipment Note or this Agreement.

(a) **General Indemnity.** Borrower shall indemnify, on an after-tax basis, defend and hold harmless Lender and its respective officers, directors, employees, agents and Affiliates ("**Indemnified Persons**") against all claims, liabilities, losses and expenses whatsoever (except those determined by final decision of a court of competent jurisdiction to have been directly and primarily caused by the Indemnified Person's gross negligence or willful misconduct), including court costs and reasonable attorneys' fees and expenses (together, "**Attorneys' Fees**"), in any way relating to or arising out of the Equipment or any Equipment Note at any time, or the ordering, acquisition, rejection, installation, possession, maintenance, use, ownership, condition, destruction or return of the Equipment, including any claims based in negligence, strict liability in tort, environmental liability or infringement.

(b) **General Tax Indemnity.** Borrower shall pay or reimburse Lender, and indemnify, defend and hold Lender harmless from, on an after-tax basis, all taxes, assessments, fees and other governmental charges paid or required to be paid by Lender or Borrower in any way arising out of or related to the Equipment or any Equipment Note before or during the Equipment Note Term or after the Equipment Note Term following an Event of Default, including foreign, Federal, state, county and municipal fees, taxes and assessments, and property, value-added, sales, use, gross receipts, excise, stamp and documentary taxes, and all related penalties, fines, additions to tax and interest charges ("**Impositions**"), excluding only Federal and state taxes based on Lender's net income. Upon Lender's request, Borrower shall furnish proof of its payment of any Imposition.

8. Borrower Representations and Agreements. Borrower represents, warrants and agrees that: (a) Borrower has had for the previous 5 years (except as previously disclosed to Lender in writing) the legal name and form of business organization in the state described above; (b) Borrower's chief executive office and notice address, taxpayer identification number and any organizational identification number is as described with its execution of this Agreement below; (c) Borrower shall notify Lender in writing at least 30 days before changing its legal name, state of organization, chief executive office location or organizational identification number; (d) Borrower is duly organized and existing in good standing under the laws of the state described above and all other jurisdictions where legally required in order to carry on its business, shall maintain its good standing in all such jurisdictions, and shall conduct its businesses and manage its properties in compliance with all applicable laws, rules or regulations binding on Borrower; (e) the execution, delivery and performance of this Agreement, each Equipment Note and Related Agreement to which it is a party has been duly authorized by Borrower, each of which are and will be binding on and enforceable against Borrower in accordance with their terms, and do not and will not contravene any other instrument or agreement binding on Borrower; and (f) there is no pending litigation, tax or environmental claim, proceeding, dispute or regulatory or

enforcement action (and Borrower shall promptly notify Lender of any of the same that may hereafter arise) that may adversely affect any Equipment or Borrower's financial condition or impair its ability to perform its Obligations, except in each case referred to in clause (d), (e) or (f) to the extent that failure to do so could not reasonably be expected to cause a material adverse change in the operations, business, properties or condition, financial or other wise, of Borrower.

9. Title; Personal Property. Borrower shall be the sole owner of Equipment free and clear of all liens or encumbrances, other than Lender's rights under the Equipment Note. Borrower will not create or permit to exist any lien, security interest, charge or encumbrance on any Equipment except those in favor of Lender. The Equipment shall remain personal property at all times, notwithstanding the manner in which it may be affixed to realty. Borrower shall obtain and record such instruments and take such steps as may be necessary to (i) prevent any creditor, landlord, mortgagee or other entity (other than Lender) from having any lien, charge, security interest or encumbrance on any Equipment, and (ii) ensure Lender's right of access to and removal of Equipment in accordance with the terms hereof.

10. Default. Each of the following (a "**Default**") shall, with the giving of any notice or passage of any time period specified, constitute an "**Event of Default**" hereunder and under all Equipment Notes: (1) Borrower fails to pay any Payments or other amount owing under any Equipment Note within 10 days of its due date; (2) Borrower fails to maintain insurance as required herein, or sells, leases, assigns, conveys, or suffers to exist any lien, charge, security interest or encumbrance on, any Equipment without Lender's prior consent, or any Equipment is subjected to levy, seizure or attachment; (3) Borrower fails to perform or comply with any other covenant or obligation under any Equipment Note or Related Agreement and, if curable, such failure continues for 30 days after written notice thereof by Lender to Borrower; (4) any representation, warranty or other written statement made to Lender by Borrower in connection with this Agreement, any Equipment Note, Related Agreement or other Obligation, or by any Guarantor pursuant to any Guaranty (including financial statements) proves to have been incorrect in any material respect when made; (5) Borrower (w) enters into any merger or consolidation with, or sells or transfers all or any substantial portion of its assets to, or enters into any partnership or joint venture other than in the ordinary course of business with, any entity, (x) dies (if a natural person), dissolves, liquidates or ceases or suspends the conduct of business, or ceases to maintain its existence, (y) if Borrower is a privately held entity, enters into or suffers any transaction or series of transactions as a result of which Borrower is directly or indirectly controlled by persons or entities not directly or indirectly controlling Borrower as of the date hereof, or (z) if Borrower is a publicly held entity, there shall be a change in the ownership of Borrower's stock or other equivalent ownership interest such that Borrower is no longer subject to the reporting requirements of, or no longer has a class of equity securities registered under, the Securities Act of 1933 or the Securities Exchange Act of 1934; (6) Borrower undertakes any general assignment for the benefit of creditors or commences any voluntary case or proceeding for relief under the federal bankruptcy code, or any other law for the relief of debtors, or takes any action to authorize or implement any of the foregoing; (7) the filing of any petition or application against Borrower under any law for the relief of debtors, including proceedings under the federal bankruptcy code, or for the subjection of property of Borrower to the control of any court, receiver or agency for the benefit of creditors if such petition or application is consented to by Borrower or is otherwise not dismissed within 60 days from the date of filing; (8) any default occurs under any other lease, credit or other agreement or instrument to which Borrower and Lender or any Affiliate of Lender are now or hereafter party; (9) any default occurs under any other agreement or instrument to which Borrower is a party and under which there is outstanding, owing or committed an aggregate amount greater than \$250,000; (10) any attempted repudiation, breach or default of any Guaranty; or (11) the occurrence of any event described in clauses (4) through (9) above with reference to any Guarantor or any controlling shareholder, general partner or member of Borrower. Borrower shall promptly notify Lender in writing of any Default or Event of Default.

11. Remedies. (a) Upon the occurrence and during the continuance of an Event of Default, Lender may, in its discretion, exercise any one or more of the following remedies with respect to any or all Equipment Notes or Equipment: (1) accelerate the maturity of any Equipment Note and declare the Prepayment Amount thereof to be immediately due and payable together with any other unpaid principal, accrued interest or other amounts due and owing thereunder; (2) cause Borrower to promptly discontinue use of or disable any Equipment, and, at Borrower's expense, have the Equipment assembled, prepared and adequately protected for shipment (together with all related manuals, documents and records, and any other Collateral), and either surrendered to Lender in place or shipped (freight and insurance pre-paid) to such location as Lender may designate within the forty-eight contiguous United States, in the condition required under Section 4 hereof, qualified for the manufacturer's (or its authorized servicing representative's) then available service contract or warranty, and able to be put into immediate service and to perform at manufacturer's rated levels (if any); (3) remedy such Event of Default or proceed by court action, either at law or in equity, to enforce performance of the applicable provisions of any Equipment Note; (4) with or without court order, enter upon the premises where Equipment is located and repossess and remove the same, all without liability for damage to such premises or by reason such entry or repossession, except for Lender's gross negligence or willful misconduct; (5) dispose of any Equipment in a public or private transaction, or hold, use, operate or keep idle the Equipment, free and clear of any rights or interests of Borrower therein; (6) recover direct, incidental, consequential and other damages for the breach of any Equipment Note, including the payment of all unpaid principal, accrued interest and other amounts payable thereunder, and all costs and expenses incurred by Lender in exercising its remedies or enforcing its rights thereunder (including all Attorneys' Fees); (7) without notice to Borrower, apply or set-off against any Obligations then due all security deposits, advance payments, proceeds of letters of credit, certificates of deposit (whether or not matured), securities or other additional collateral held by Lender or otherwise credited by or due from Lender to Borrower; or (8) pursue all other remedies provided under the UCC or other applicable law. Borrower shall pay interest equal to the lesser of (a) the Interest Rate as set forth in the applicable Equipment Notes plus 2% per annum, or (b) the highest rate permitted by applicable law ("**Default Rate**") on (i) any amount other than Payments owing under any Equipment Note and not paid when due, (ii) any Payment not paid within 30 days of its due date, and (iii) any amount required to be paid upon acceleration of any Equipment Note under this Section 11. Any payments received by Lender during an Event of Default, including proceeds of any disposition of Equipment, shall be applied in the following order: (A) to all of Lender's costs (including Attorneys' Fees), charges and expenses incurred in taking, removing, holding, repairing and selling or leasing the Equipment or other Collateral or enforcing the provisions hereof; (B) to the satisfaction of all outstanding Obligations; and (C) the balance, if any, shall be disbursed to Borrower unless otherwise required by law. Lender shall account to Borrower for any surplus realized upon such sale or other disposition, and Borrower shall remain liable for any deficiency with respect to the Obligations.

(b) No remedy referred to in this Section 11 shall be exclusive, each shall be cumulative (but not duplicative of recovery of any Obligation) and in addition to any other remedy referred to above or otherwise available to Lender at law or in equity, and all such remedies shall survive the acceleration of any Equipment Note. Lender's exercise or partial exercise of, or failure to exercise, any remedy shall not restrict Lender from further exercise of that remedy or any other available remedy. No extension of time for payment or performance of any Obligation shall operate to release, discharge, modify, change or affect the original liability of Borrower for any Obligations, either in whole or in part. Lender may proceed against any Collateral or Guarantor, or may proceed contemporaneously or in the first instance against Borrower, in such order and at such times during an Event of Default as Lender

determines in its sole discretion. In any action to repossess any Equipment or other Collateral, Borrower waives any bonds and any surety or security required by any applicable laws as an incident to such repossession. Notices of Lender's intention to accelerate, acceleration, nonpayment, presentment, protest, dishonor, or any other notice whatsoever (other than notices of Default specifically required of Lender pursuant to Section 10 above) are waived by Borrower and any Guarantor. Any notice given by Lender of any disposition of Collateral or other intended action of Lender which is given in accordance with this Agreement at least 10 business days prior to such action, shall constitute fair and reasonable notice of such action.

(c) Borrower is or may become indebted under or in respect of one or more leases, loans, notes, credit agreements, reimbursement agreements, security agreements, title retention or conditional sales agreements, or other documents, instruments or agreements, whether now existing or hereafter arising, evidencing Borrower's obligations for the payment of borrowed money or other financial accommodations owing to one or more Affiliates of Lender or any of its successors by merger or otherwise ("Affiliated Obligations"). If Borrower pays or prepays all or substantially all of its Affiliated Obligations, whether or not such payment or prepayment is voluntarily or involuntarily made by Borrower before or after any default or acceleration of such Affiliated Obligations, then Borrower shall pay, at Lender's option and immediately upon notice from Lender, all or any part of Borrower's Obligations owing to Lender in connection with this Agreement, including but not limited to Borrower's payment of the Prepayment Amount for all or any Equipment Notes, as set forth in such notice from Lender.

12. Assignment. Lender and any Assignee may assign or transfer any of Lender's interests in any Equipment Note or Equipment without notice to Borrower. Borrower agrees that: (i) the rights of any Assignee shall not be affected by any breach or default of Lender or any prior Assignee, and Borrower shall not assert any defense, rights of set-off or counterclaim against any Assignee, nor hold or attempt to hold such Assignee liable for any such breach or default; (ii) unless otherwise agreed by Lender and Assignee, Lender shall have no duties or responsibilities as a secured party with respect to the applicable Equipment or Collateral after such assignment and Lender shall be released from such duties or responsibilities, and (iii) Borrower shall execute and deliver upon request such additional documents, instruments and assurances as Lender reasonably deems necessary in order to (y) acknowledge and confirm all of the terms and conditions of any Equipment Note and Lender's or such Assignee's rights with respect thereto, and Borrower's compliance with all of the terms and provisions thereof, and (z) preserve, protect and perfect Lender's or Assignee's right, title or interest hereunder and in any Equipment, including, without limitation, such UCC financing statements or amendments, control agreements, corporate or member resolutions, votes, notices of assignment of interests, and confirmations of Borrower's obligations and representations and warranties with respect thereto as of the dates requested. Lender may disclose to any potential Assignee any information regarding Borrower, any Guarantor and their Affiliates. **Borrower shall not sell, assign, pledge, hypothecate or in any way dispose of any of its rights or obligations under any Equipment Note, or enter into any lease of any Equipment, without Lender's prior written consent. Any purported sale, assignment, pledge, hypothecation, disposal or lease by Borrower made without Lender's prior written consent shall be null and void.**

13. Financial and Other Data. (a) During any Equipment Note Term, Borrower shall (i) maintain books and records in accordance with generally accepted accounting principles consistently applied ("GAAP") and prudent business practice; (ii) promptly provide Lender, within 120 days after the close of each fiscal year, and, upon Lender's request, within 45 days of the end of each quarter of Borrower's and any Guarantor's fiscal year, a copy of financial statements for Borrower and each Guarantor requested by Lender, in each case prepared in accordance with GAAP and (in the case of annual statements) audited by independent certified public accountants and (in the case of quarterly statements) certified by the chief financial officer of Borrower or Guarantor, as applicable; provided, however, that for so long as Borrower or any such Guarantor is legally and timely filing annual and quarterly financial reports on Forms 10-K and 10-Q with the Securities and Exchange Commission which are readily available to the public, the filing of such reports shall satisfy the foregoing financial statement reporting requirements for such entity; and (iii) furnish Lender all other financial information and reports and such other information as Lender may reasonably request concerning Borrower, any Guarantor and their respective affairs, or the Equipment or its condition, location, use or operation.

(b) Borrower represents and warrants that all financial statements at any time furnished by or on behalf of Borrower or any Guarantor are accurate in all material respects and reasonably reflect as of their respective dates, results of operations and the financial condition of Borrower, such Guarantor or other entity they purport to cover. Credit and other information regarding Borrower, any Guarantor or their Affiliates, any Equipment Note or Equipment may be disclosed by Lender to its Affiliates, agents and potential Assignees.

14. Definitions

As used herein, the following terms shall have the meanings assigned or referred to them below:

"**Affiliate**" means any entity controlling, controlled by or under common control with the referent entity; "**control**" includes (i) the ownership of 25% or more of the voting stock or other ownership interest of any entity and (ii) the status of a general partner of a partnership or managing member of a limited liability company.

"**Assignee**" means any assignee or transferee of all or any of Lender's right, title and interest in any Equipment Note or any Equipment.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Equipment**" means the items, units and groups of personal property, licensed materials and fixtures described in each Equipment Note, together with all replacements, parts, additions, accessories and substitutions therefor; and "**item of Equipment**" means a commercial unit of such property which in commercial usage is treated as a single whole, division of which materially impairs its character or value on the market or in use, and includes each functionally integrated and separately marketable group or unit of Equipment and may be a single article (such as a machine) or a set of articles (such as a suite of furniture or a line of machinery).

"**Guarantor**" means any guarantor, surety, endorser, general partner or co-lessee of Borrower, or other party liable in any capacity, or providing additional collateral security for, the payment or performance of any Obligations of Borrower.

"**Guaranty**" means any guaranty, surety instrument, security, indemnity, "keep-well" agreement or other instrument or arrangement from or with any Guarantor.

"**Obligations**" means and includes all obligations of Borrower owing to Lender under this Agreement, any Equipment Note or Related Agreement, or of any Guarantor owing to Lender under any Guaranty, together with all other obligations, indebtedness and liabilities of Borrower to Lender under any other financings, leases, loans, notes, progress payment agreements, guaranties or other agreements, of every kind and description, now existing or hereafter arising, direct or indirect, joint or several, absolute or contingent, whether for payment or performance, regardless of how the same may arise or by what instrument, agreement or book account they may be evidenced, including without limitation, any such obligations, indebtedness and liabilities of Borrower to others which may be obtained by Lender through purchase, negotiation, discount, transfer, assignment or otherwise.

"**Prepayment Amount**" means, collectively, the entire unpaid principal balance of any Equipment Note as of any particular date, together with (a) all accrued interest and other charges then owing under such Equipment Note, and (b) the prepayment charge provided in the applicable Equipment Note, if any.

“**Related Agreement**” means and includes any Guaranty and any approval letter or progress payment, assignment, security or other agreement or addendum related to this Agreement, any Equipment Note or any Collateral to which Borrower or any Guarantor is a party.

“**UCC**” means the Uniform Commercial Code in effect in the state specified in Section 15(f) of this Agreement.

“**Vendor**” means the manufacturer, distributor, supplier or other seller (whether or not a merchant or dealer) of the Equipment and any sales representative or agent thereof.

15. Miscellaneous. (a) At Lender’s request, Borrower shall execute, deliver, file and record such financing statements and other documents as Lender reasonably deems necessary to protect Lender’s interest in the Equipment and to effectuate the purposes of any Equipment Note or Related Agreement, and Borrower authorizes, and irrevocably appoints Lender as its agent and attorney-in-fact, with right of substitution and coupled with an interest, to (i) execute, deliver, file, and record any such item, and to take such action for Borrower and in Borrower’s name, place and stead, (ii) make minor corrections to manifest errors in factual data in any Equipment Note and any addenda, attachments, exhibits and riders thereto, and (iii) during an Event of Default, enforce claims relating to the Equipment against insurers, Vendors or other persons, and to make, adjust, compromise, settle and receive payment under such claims; but without any obligation to do so.

(b) Federal law requires all financial institutions to obtain, verify and record information that identifies each entity that obtains a loan or other financial accommodation. The first time Borrower requests a financial accommodation from Lender, the Lender may ask for Borrower’s (or any Guarantor’s) legal name, address, tax ID number and other identifying information. Borrower shall promptly provide copies of business licenses or other documents evidencing the existence and good standing of Borrower or any Guarantor requested by Lender.

(c) Time is of the essence in the payment and performance of all of Borrower’s Obligations under any Equipment Note or Related Agreement. This Agreement, and each Equipment Note or Related Agreement may be executed in one or more counterparts, each of which shall constitute one and the same agreement. All demands, notices, requests, consents, waivers and other communications concerning this Agreement and any Equipment Note or Related Agreement shall be in writing and shall be deemed to have been duly given when received, personally delivered or three business days after being deposited in the mail, first class postage prepaid, or the business day after delivery to an express carrier, charges prepaid, addressed to each party at the address provided herein, or at such other address as may hereafter be furnished in writing by such party to the other.

(d) Except as otherwise agreed between Borrower and Lender in writing, Borrower shall reimburse Lender upon demand for costs and expenses reasonably incurred by Lender in connection with the execution and delivery of this Agreement, any Equipment Note or Related Agreement. Borrower shall reimburse Lender on demand for all costs (including reasonable Attorneys’ Fees) incurred by Lender in connection with Borrower’s exercise of any purchase or extension option under any Equipment Note, or any amendment or waiver of the terms of this Agreement or any Equipment Note or Related Agreement requested by Borrower.

(e) Any provisions of this Agreement or any Equipment Note or Related Agreement which are unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions thereof, and any such unenforceability shall not render unenforceable such provisions in any other jurisdiction. Any requirement for the execution and delivery of any document, instrument or notice may be satisfied, in Lender’s discretion, by authentication as a record within the meaning of, and to the extent permitted by, Article 9 of the UCC.

(f) THIS AGREEMENT AND ANY EQUIPMENT NOTE OR RELATED AGREEMENT, AND THE LEGAL RELATIONS OF THE PARTIES THERETO, SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS, WITHOUT REGARD TO CHOICE OF LAW PRINCIPLES; THE PARTIES CONSENT AND SUBMIT TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF SUCH STATE FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING THEREFROM, AND EXPRESSLY WAIVE ANY OBJECTIONS THAT IT MAY HAVE TO THE VENUE OF SUCH COURTS. THE PARTIES EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT THERETO. IN NO EVENT SHALL LENDER HAVE ANY LIABILITY TO BORROWER FOR INCIDENTAL, GENERAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES. Any cause of action by Borrower against Lender relating to this Agreement or any Equipment Note or Related Agreement shall be brought within two years after any such cause of action first arises, and Borrower hereby waives the benefit of any longer period provided by statute.

(g) EACH EQUIPMENT NOTE, TOGETHER WITH THIS AGREEMENT AND ANY RELATED AGREEMENTS, (i) CONSTITUTES THE FINAL AND ENTIRE AGREEMENT BETWEEN THE PARTIES SUPERSEDING ALL CONFLICTING TERMS OR PROVISIONS OF ANY PRIOR PROPOSALS, APPROVAL LETTERS, TERM SHEETS OR OTHER AGREEMENTS OR UNDERSTANDINGS BETWEEN THE PARTIES, (ii) MAY NOT BE CONTRADICTED BY EVIDENCE OF (y) ANY PRIOR WRITTEN OR ORAL AGREEMENTS OR UNDERSTANDINGS, OR (z) ANY CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS BETWEEN THE PARTIES; and (iii) MAY NOT BE AMENDED, NOR MAY ANY RIGHTS THEREUNDER BE WAIVED, EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTY CHARGED WITH SUCH AMENDMENT OR WAIVER.

In Witness Whereof, Lender and Borrower have executed this Agreement as of the date first above written.

BANC OF AMERICA LEASING & CAPITAL, LLC (Lender)

By: /s/ Denise C. Simpson

Print Name: Denise C. Simpson

Title: Assistant Vice President

iRobot Corporation (Borrower)

By: /s/ Geoffrey P. Clear

Print Name: Geoffrey P. Clear

Title: Senior Vice President and CFO

Taxpayer ID #: 77-0259335

Org. ID # (if any) _____

Chief Executive Office: _____

Master Loan and Security Agreement – 4.1.06



Banc of America Leasing & Capital, LLC

Addendum to Master Loan and Security Agreement No. 17507-70000

This Addendum (“**Addendum**”) to Master Loan and Security Agreement No. **17507-70000** dated as of June 13, 2007 (the “**Agreement**”) is by and between **Banc of America Leasing & Capital, LLC** (“**BALC**”) and iRobot Corporation (“**Customer**”), who have determined that it is to their mutual benefit to make certain amendments to the Agreement. All capitalized terms used herein without definition shall have the respective meaning set forth or referred to them in the Agreement. For purposes of this Addendum, all financial terms contained herein that are not specifically defined herein shall have the meanings and values determined in accordance with generally accepted accounting principles in the United States, as defined by controlling pronouncements of the Financial Accounting Standards Board, as from time to time supplemented and amended, and consistently applied. Accordingly, for good and valuable consideration, intending to be legally bound and pursuant to the terms and conditions of the Agreement, it is hereby agreed as follows:

A. For so long as any Obligations of the Customer owing to BALC remain outstanding, Customer covenants and agrees that it shall:

1) Minimum Liquidity:

Maintain a Quick Ratio: Current Assets (means the aggregate of cash plus short term marketables plus accounts receivable) divided by Current Liabilities (means the current portion of the Borrower’s obligations for borrowed money, including Obligations as defined in that certain Credit Agreement dated as of June 5, 2007 between Borrower and Bank of America, N.A.) equal to at least 1.5 to 1.0 on a quarterly basis.

2) Minimum Net Worth: maintain a “Tangible Net Worth” (shareholders’ equity less intangible assets) of at least \$75,000,000.00 at all times.

3) Minimum Profitability: maintain “Net Profits” (Net income before taxes and extraordinary items) of at least \$1.00 on an annual basis.

4) Compliance Certificates: provide BALC, promptly upon request, one or more compliance certificates in form and substance satisfactory in all respects to BALC, together with supporting financial information and statements certified by Customer’s chief financial officer certifying as to Customer’s compliance with the financial covenants set forth above and that no Event of Default, or event or condition which, with notice or the passage of time or both, exists under the Agreement.

It is expressly agreed by the parties that this Addendum is supplemental to the Agreement and made a part thereof and all the terms, conditions and provisions thereof, unless specifically modified herein, are to remain in full force and effect. In the event of any conflict, inconsistency or incongruity between the provisions of this Addendum and any of the provisions of the Agreement, the provisions of this Addendum shall in all respects govern and control.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed on the dates set forth below.

Customer: **iRobot Corporation**

Banc of America Leasing & Capital, LLC

By: /s/ Geoffrey P. Clear

By: /s/ Denise C. Simpson

Print Name: Geoffrey P. Clear

Print Name: Denise C. Simpson

Title: Senior Vice President and CFO

Title: Assistant Vice President

Date: _____

Date: June 19, 2007

Addendum – Group 2 & 3 Conditions – 4.1.06

MANUFACTURING AGREEMENT

This Agreement is made on March 23, 2007, by and between:

(1) Kin Yat Industrial Co. Ltd., a Hong Kong Company, having its place of business at 7/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong (hereinafter referred to as "Seller"); and

(2) iRobot Corporation, a Delaware corporation having its principal place of business at 63 South Avenue, Burlington, Massachusetts 01803, U.S.A. (hereinafter referred to as "Buyer").

Whereas Buyer wishes to have made by Seller and Seller wishes to manufacture for Buyer the Product in accordance with the Specifications at the price and subject to the terms and conditions of this Agreement.

Now, therefore, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. DEFINITIONS

The following terms, as used in this Agreement with capital initials, shall have the following meanings:

- 1.1 "Additional Services" means services such as, design for manufacturability, manufacturing design test support, computer assisted design for manufacturability and any other related services all as specified and approved by Buyer and agreed to by Seller.
- 1.2 "Buyer Intellectual Property" means (a) all Intellectual Property provided or made available to Seller by Buyer including without limitation, the Specifications and (b) any and all Intellectual Property Rights that claim or cover such Intellectual Property.
- 1.3 "Commercially Reasonable Efforts" means those efforts that would be deemed both commercially practicable and reasonably financially prudent after having taken into account all relevant commercial considerations. "Relevant commercial considerations" shall be deemed to include, without limitation, (1) all pertinent facts and circumstances; (2) financial costs; (3) resource availability and impact; (4) probability of success; and (5) other commercial practicalities.
- 1.4 "Components Supplied by Buyer" means those components or materials that Buyer provides, directly or indirectly, to Seller to be incorporated into the Product.

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

- 1.5 “Costs” shall mean the expenses incurred by Seller under this Agreement, including design engineering services, testing, fixturing and tooling and other out-of-pocket costs.
- 1.6 “Fee and Price Schedule” shall mean the prices and fees set forth on Schedule 2.
- 1.7 “Intellectual Property” means any discoveries, inventions, invention disclosures (whether or not patentable), drawings, designs, packaging design, logos, trade dress, trademarks, schematics, technical information, manuals and other documentation (including theory of operations documentation), data, tools, dies, patterns, masks, gauges, test equipment, debug aides, procedures, manufacturing or other processes, software, firmware, technology, and know-how.
- 1.8 “Intellectual Property Rights” means, collectively, all rights in, to and under patents, trade secret rights, copyrights, trademarks, service marks, trade dress and similar rights of any type under the laws of any governmental authority, including without limitation, all applications and registrations relating to the foregoing.
- 1.9 “Lead-Time” means the mutually agreed upon minimum amount of time in advance of shipment that Seller must receive a Purchase Order in order to deliver Product by the requested delivery date. Except as otherwise agreed by the parties, lead time for the Product shall be [*****] from receipt of the Purchase Order by the Seller.
- 1.10 “Long Lead-Time Components” shall have the meaning set forth on Schedule 3.
- 1.11 “Manufacturing Services” means the services performed by Seller hereunder which shall include but not be limited to manufacturing, testing, configuring, assembling, packaging and/or shipping of the Product, including any Additional Services, all in accordance with the Specifications.
- 1.12 “Newly Developed Intellectual Property” means, other than Seller Intellectual Property, (a) any and all Intellectual Property created, developed or otherwise resulting from any work provided or services performed by either or both parties, including but not limited to, the agents, partners or representatives of either party, under this Agreement and (b) any and all Intellectual Property Rights that claim or cover such Intellectual Property, all in connection with the Product.
- 1.13 “Packaging and Shipping Specifications” shall mean packaging and shipping specifications set forth in Schedule 4 and otherwise supplied and/or approved by Buyer and agreed to by the Seller.

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

- 1.14 “Product” shall mean the products described, and conforming to, the Specifications contained in Schedule 1 attached to this Agreement, together with such amendments which may be mutually agreed upon in writing by the Seller and the Buyer from time to time.
- 1.15 “Production Schedule” means a manufacturing schedule provided to Seller by Buyer in writing and in the form set forth in Schedule 5 attached to this Agreement, which specifies the Product to be manufactured, including, without limitation, the quantity of each Product.
- 1.16 “Production Schedule Forecast” means the periodic forecast provided to Seller by Buyer, in writing, of quantity requirements of each Product that Buyer anticipates requiring during the next three (3) month period.
- 1.17 “Proprietary Information and Technology” means software, firmware, hardware, technology and know-how and other proprietary information or intellectual property embodied therein that is known, owned or licensed by and proprietary to either party and not generally available to the public, including plans, analyses, trade secrets, patent rights, copyrights, trademarks, inventions, fees and pricing information, operating procedures, procedure manuals, processes, methods, computer applications, programs and designs, and any processed or collected data. The failure to label any of the foregoing as “confidential” or “proprietary” shall not mean it is not Proprietary Information and Technology.
- 1.18 “Purchase Order” shall mean all orders in writing for Product issued by the Buyer to Seller and accepted by Seller.
- 1.19 “Seller Created Intellectual Property” means any (a) improvements to the Seller Manufacturing Process made by Seller and (b) any and all Intellectual Property Rights that claim or cover such improvements.
- 1.20 “Seller Existing Intellectual Property” means any (a) Intellectual Property owned or controlled by Seller prior to the execution of this Agreement, including but not limited to, the Seller Manufacturing Process and (b) any and all Intellectual Property Rights that claim or cover such Intellectual Property.
- 1.21 “Seller Intellectual Property” shall mean both Seller Created Intellectual Property and Seller Existing Intellectual Property, collectively.
- 1.22 “Seller Manufacturing Process” means Seller’s process employed to manufacture, test, configure and assemble Products manufactured for Buyer pursuant to the terms of this Agreement.
- 1.23 “Specifications” means the specifications set forth in Schedule 1 and otherwise supplied and/or approved by Buyer. Specifications may be amended from time to time by amendments pursuant to Section 18.3 of this Agreement.

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

- 1.24 “Suppliers Designated by Buyer” shall mean suppliers designated, specified and/or approved by Buyer and set forth on Schedule 6, and may include without limitation suppliers related to batteries, battery charges, masked IC components, motors, packaging materials and gears.
- 1.25 “Test Procedures” shall mean testing specifications, standards, procedures and parameters set forth in Schedule 7 and otherwise supplied and/or approved by Buyer.

2. List of Schedules

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

- Schedule 1 — Specifications
- Schedule 2 — Fee and Price Schedule
- Schedule 3 — Long Lead-Time Components
- Schedule 4 — Packaging and Shipping Specifications
- Schedule 5 — Production Schedule
- Schedule 6 — Suppliers Designated by Buyer
- Schedule 7 — Test Procedures
- Schedule 8 — Form of Cost Summary
- Schedule 9 — Samples

3. Production Schedule Forecasts

Buyer will provide a Production Schedule Forecast to Seller on at least a quarterly basis. Any Production Schedule Forecast provided by Buyer is for planning purposes only and does not constitute a commitment by Buyer.

4. GENERAL

- 4.1 Manufacturing Seller shall manufacture the Product in accordance with the Specifications set forth in Schedule 1 and Purchase Orders for Product.
- 4.2 Items to be Supplied by Buyer Buyer shall at its own costs and expenses, supply to Seller, according to the terms and conditions specified herein, Buyer Proprietary Information and Technology and, if applicable, Components Supplied by Buyer necessary for Seller to perform the Manufacturing Services and/or the Additional Services. Buyer may at its own costs and expense also provide to Seller additional items from time-to-time. Buyer shall be solely responsible for delivery, defects and enforcement of warranties related to Components Supplied by Buyer and Buyer Proprietary Information and Technology, and, where applicable, additional items. Moreover, Buyer will pay all IC masking fees and will consign select ICs as deemed appropriate by Buyer.

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- 4.3 Items to be Supplied By Seller Seller will employ the Seller Manufacturing Process, any required manufacturing technology, manufacturing capacity, labor, transportation logistics, systems and facilities necessary for Seller to perform the Manufacturing Services.
- 4.4 Materials Procurement Seller will use Commercially Reasonable Efforts to procure components, per Buyer's approved vendor list containing Suppliers Designated by Buyer, necessary to fulfill Purchase Orders accepted by Seller. Seller is responsible for the management of the performance of component suppliers — including but not limited to purchasing, component inventory control, customs paperwork and Value Added Tax (VAT) — and is ultimately responsible for the quality of components provided by any vendor from Buyer's approved vendor listing. Upon request, Seller will be required to submit specification sheets for outsourced components to Buyer for pre-approval. Moreover, Seller will interface with suppliers, including Suppliers Designated by Buyer, in good faith and follow Just In Time (JIT) inventory practices. It is noted that Seller shall provide temperature and humidity controlled storage with respect to certain components including, but not limited to, batteries.
- 4.5 Cost Summary No less frequently than biweekly, Seller will provide a detailed cost summary, in a form and manner reasonably satisfactory to Buyer, including all formulas and assumptions, so that both Seller and Buyer will have full and complete access and visibility to all component, labor, assembly and mark-up costs. The cost summary will also include the Seller's gross margin, which shall include Seller's profit, overhead, DFM costs, fixtures and jigs, scrap, overland shipping, samples, set-up, testing, all engineering and other Seller expenses with respect to the Manufacturing Services. An initial form for the cost summary is set forth in on Schedule 8. It is explicitly understood and agreed by Seller that Seller's failure to provide updated cost information within two (2) weeks of a Specification change, will waive Seller's right to claim a cost increase due to the Specification change.
- 4.6 Lead-Time and Cost Reduction Plan At its sole discretion, Buyer shall establish a plan to reduce the costs, prices and Lead-Time associated with work performed in connection with this Agreement. Seller shall use Commercially Reasonable Efforts to implement such Lead-Time and cost reduction plans.
- 4.7 RESERVED.
- 4.8 Restrictions on Sale of Other Products Unless otherwise agreed to in writing by Buyer, any components containing Buyer Intellectual Property shall not be sold or transferred by Seller to any person other than Buyer or Buyer's designee. Moreover, during the term of this Agreement, and for a period of [*****] following the termination of this Agreement, Seller shall not [*****].

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4.9 Samples Seller shall provide Buyer at no charge the samples of the Product as set forth on Schedule 9 to this Agreement.

5. PURCHASING PROCEDURE

5.1 Issuance and Acceptance of Purchase Orders Purchase Orders issued by Buyer to Seller shall reference this Agreement, set forth information including the required Product, quantities, delivery dates, prices, destination, carrying method, consignee at destination, shipping instructions, purchase order number and other details as may be reasonably requested by Seller.

Purchase Order may be in the form of an e-mail or fax. If any terms or conditions on the Purchase Order conflict with terms and conditions in this Agreement, this Agreement shall prevail.

Purchase Order acknowledgement by Seller shall be made by e-mail or fax (or by another form of written confirmation mutually agreed to by the parties) within fourteen (14) business days (excluding Saturdays) from receipt of Purchase Order (or electronic purchase order, as the case may be) from Buyer and shall be promptly followed by a hard copy acknowledgement ("Acknowledgement Period"). The Purchase Order will not constitute a binding obligation on the Seller until and unless Seller accepts the Purchase order in accordance with this Agreement.

5.2 Effects of Purchase Orders The placing by Buyer of a Purchase Order under and in accordance with this Agreement and subsequent acceptance by Seller shall create a contract of sale between Seller and Buyer on the terms of such Purchase Order and of this Agreement. Nothing in this Agreement shall be construed as an obligation for Buyer to purchase or Seller to manufacture any Product, except as expressly provided in any Purchase Order issued by Buyer and accepted by Seller.

5.3 Prices [*****]

5.4 Delivery Subject to Sections 5.6 and 9.1, all Product ordered and accepted under the Purchase Order shall be delivered in accordance with the agreed Lead-Time. Product shall be deemed delivered when title and risk pass to Buyer on the basis of Section 5.11.

5.5 Certificate of Conformance From time to time, and upon Buyer's written request, Seller will provide certificates of conformance evidencing that Products sold to Buyer or Buyer's designee meet the applicable Buyer Specifications. The issuance of such certificate will in no event expand Seller's liability for breach of warranty.

5.6 Rescheduling With respect to any Purchase Order, Buyer shall have a right to reschedule the delivery date of any Products ordered by it and/or to change the destination thereof, provided it shall give written notice of such

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reschedule or change in destination at least [*****] prior to the original delivery date, further provided that the rescheduled delivery date is not more than [*****] after the original delivery date and additionally further provided that such rescheduling limitation shall not apply in the event that the rescheduling is due to a proved default or delay of Seller or to force majeure under Section 16. In the event that Buyer wishes to reschedule more than once, such rescheduling shall be made in accordance with this Section 5.6, and Seller shall have the right to claim any expenses due to said rescheduling.

- 5.7 Invoices Invoices for Product shall be submitted, within three (3) business days of the time of delivery of Product, by Seller to Buyer or Buyer's designee as may be directed by Buyer.
- 5.8 Payment Terms Buyer shall pay Seller all monies, not the subject of a good faith dispute, within [*****] from the date of receipt of the invoice. Seller shall be fully responsible for all Costs, and indemnify and hold Buyer harmless from liability to Seller suppliers for money owed such suppliers by Seller for Seller's purchase of goods and services in relation to the Product.
- 5.9 Inclusions in Price Purchase price shall include the full cost of ordered items suitably packed and onboard for shipment FOB port of Yantian, PRC, including all inland shipping, handling, transportation, importation and insurance.
- Seller will make all necessary arrangements for the shipment to Buyer or Buyer's designee, including obtaining under its responsibility and its expenses (which are subject to reimbursement by Buyer) any permit or license to export the Products from the country of shipment, except obtaining such permit as may be required for Buyer or its affiliates to import the ordered items into another country.
- Any such costs and expenses prepaid by Seller under this Section 5.9 shall be invoiced to Buyer (or its Affiliates as the case may be) and paid by Buyer in accordance with Section 5.8.
- 5.10 Taxes Seller will pay all taxes, duties and fees imposed by the authorities of any country on its manufacture and sale to Buyer or its designees of the Products sold under this Agreement and Buyer will pay all taxes, duties and fees imposed by the authorities of any country arising after the sale of the Product under this Agreement.
- 5.11 Title Title to any Product(s) will pass to Buyer (or to the Buyer's designee invoiced by Seller) upon receipt of full payment for the purchase price by Seller. Risk of the Products will be passed to Buyer (or to the Buyer's designee) upon shipment.

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Seller will use the Commercially Reasonable Effort to pack and ship the Products in accordance with the Packaging and Shipping Specifications provided that Buyer shall be solely responsible for the sufficiency and adequacy of the Packaging and Shipping Specifications and the compliance of the Packaging and Shipping Specifications with the applicable laws, regulations and rules for importing into the destination country.

- 5.12 Tooling Seller recognizes that all specific tooling made or procured by Seller and paid for by Buyer for the purpose of this Agreement, shall be property of Buyer.

Seller shall be responsible for maintaining the tooling and carrying out repairs based on reasonable wear and use. At the request of Buyer, Seller shall at the expenses and costs of Buyer insure the tool(s) while under Seller's possession and control. Such insurance shall be based on the original tooling cost to Buyer and shall name Buyer as loss payee.

Seller shall be entitled to manufacture, have manufactured and use such tooling only and solely for the Product to be sold to Buyer under this Agreement. Seller shall at the expenses of Buyer deliver to Buyer any of the above mentioned tooling within fifteen (15) business days upon Buyer's written request and, in any case, upon the expiration or termination of this Agreement.

6. INSPECTION AND ACCEPTANCE

- 6.1 Testing Seller will test the Product in accordance with the Test Procedures set forth on Schedule 7 to this Agreement, as may be supplemented by Buyer from time-to-time. Buyer shall be solely responsible for the sufficiency and adequacy of the Test Procedures.
- 6.2 Product Acceptance Buyer shall evaluate each Product to determine if it conforms, in all material respects, to the Specifications. Buyer shall give Seller written notice of any rejection of a Product within ten (10) business days following Buyer's receipt of such Product ("Acceptance Period"). Such written notice of rejection of a Product for failure to materially conform to the Specifications shall include a reasonably detailed and complete description of Buyer's basis for asserting that the Product does not materially conform to the Specifications ("Specification Notice"). If Buyer fails to provide such Specification Notice to Seller within the Acceptance Period, such Product shall be deemed accepted by Buyer. If Seller disputes the basis for rejection set forth in a Specification Notice, it shall provide written notice of the same to Buyer within ten (10) business days following receipt of the Specification Notice ("Notice of Disputed Defect"). Any such dispute shall be resolved by the parties in accordance with the provisions of Section 17. Notwithstanding the issue of Specification Notice or Notice of Disputed Defect, the Products shall be deemed to be delivered on time if the Products were first delivered within

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the delivery date as stated in the Purchase Order. If Seller does not dispute the basis for rejection set forth in a Specification Notice, Seller shall follow its standard repair or replace procedure as set forth in Section 7.2 herein. The acceptance procedures set forth in this Section 6.2 shall apply to any redelivered Product.

- 6.3 Inspection Buyer may, at any reasonable time and with reasonable prior written notice, inspect Seller's test facilities used in the performance of this Agreement, as well as the materials used to manufacture the Product, without interrupting the normal plan of work in Seller's plant.

Seller shall furnish, or cause to be furnished, without charge to Buyer, all reasonable facilities and assistance for the safety and convenience of the inspectors. All inspections shall be performed in such a way as not to delay the work.

- 6.4 Attendance at Seller's Plant Buyer reserves the right to place at any time one or more employees of Buyer or any of its affiliates in Seller's plant to carry out the inspection and acceptance tests referred to in Section 6.1 6.2 and/or 6.3. Seller will provide strictly confidential, lockable and secure on-site facilities for Buyer's on-site team.

[*****]. Seller agrees to furnish said employee(s) with reasonable working facilities as necessary for their job. Seller will make suitable arrangements so that said employee(s) will have access to the areas where Product are manufactured and tested. Such employee(s) shall be empowered to reject the Product to be delivered to Buyer in the event that such Product fails the acceptance tests agreed to in accordance with Section 6.1, provided always the reasons for said rejection have been provided to Seller and acknowledged by Seller.

7. WARRANTY

- 7.1 Warranty Description Subject to Section 7.4, Seller warrants, with respect to each Product supplied by Seller to Buyer, together with all retail packaging, labeling and other material furnished by Seller, that:

- (a) the title of the Products when conveyed to Buyer or its affiliates shall be good and its transfer rightful, and the Products shall be delivered free from any security interest or other lien or encumbrance except as otherwise agreed upon in writing;
- (b) the Products shall conform to the Specifications in effect at the time the relevant Purchase Order is made and to any representation or description contained in this Agreement relating to such Products;
- (c) the Products conform in all respects to all applicable international, federal, state, and local laws, orders and regulations including, without limitation, those concerning the marking of the country of origin (as

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merchandise not in compliance and not properly marked is subject to penalty which may include forfeiture of the non-conforming shipment); and (d) the Products do not knowingly infringe or encroach upon any third party's personal, contractual, or proprietary rights, including, but not limited to, patents, trademarks, trade names, trade dress, copyright, right of privacy or trade secrets.

7.2 Repair or Replacement of Defective Product Seller will either

- (a) repair or replace, in its sole discretion, any Product that contains a defect caused by a breach of the warranty set forth in this Section 7; or
- (b) credit Buyer the in-country cost of goods sold of that Product towards future production.

7.3 No Waiver Buyer's acceptance of any Products shall not relieve Seller of its warranty obligations, unless agreed to by Buyer in writing. Waiver hereunder shall not be deemed to be a waiver of subsequent enforcement of this Section 7.3.

7.4 Limitation of Warranty SELLER'S WARRANTY SHALL NOT APPLY TO (a) ANY MATERIAL CONSIGNED OR SUPPLIED BY BUYER TO SELLER INCLUDING BUT NOT LIMITED TO BUYER INTELLECTUAL PROPERTY, BUYER'S PROPRIETARY INFORMATION AND TECHNOLOGY AND BUYER'S TOOLING, OR (b) ANY DEFECT IN THE PRODUCT ARISING FROM ANY DESIGN OR SPECIFICATION (AND/OR TEST PROCEDURES) OF THE PRODUCT SUPPLIED AND/OR APPROVED BY BUYER, OR (c) THE PACKAGING AND SHIPPING SPECIFICATIONS PROVIDED BY BUYER.

8. EPIDEMICS

In the event that in the Products supplied by Seller to Buyer hereunder there should develop an epidemic of failures or any non-conformance to the applicable Specifications due to the default of Seller, Seller and Buyer shall discuss the steps that Seller will take at Seller's expense to remedy such problem.

If the epidemic fault directly results from any default, such as faulty design in the Product, of Buyer or by any third party for Buyer, then Buyer will work at its expense with Seller to cure the problem.

In the event of such an epidemic under this Section 8, issuance of new Purchase Orders and delivery of unfilled Purchase Orders of the Products shall be postponed as mutually agreed to by Buyer and Seller, pending the correction of the cause of the epidemic.

An epidemic fault shall be defined as [*****].

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9. CANCELLATION OF ORDERS

- 9.1 Cancellation In addition to Buyer's right to reschedule, Buyer may upon [*****] written notice of the delivery date specified by Buyer in the Purchase Order cancel in whole or in part such Purchase Order.

Buyer's liability to Seller with respect to any terminated Purchase Order shall be limited to any Long Lead-Time Components procured by Seller on the specific written instructions of Buyer and other materials specifically procured by Seller for Buyer pursuant to an accepted Purchase Order.

- 9.2 Notification of Amount Within fifteen (15) days after Seller receives notice of cancellation from Buyer, Seller will issue to Buyer an invoice detailing the cancellation charge. This invoice should include a detailed listing of each Long Lead-Time Component and other materials specifically procured by Seller for Buyer pursuant to an accepted Purchase Order.
- 9.3 Payment Payment by Buyer of any cancellation charge should be made within thirty (30) days after receipt by Buyer of Seller's invoice. Upon receipt of full payment Seller shall make available to Buyer any or all of the parts (at Buyer's option).

10. CHANGES

- 10.1 Changes to Manufacturing Services, Packaging and Shipping Specifications and Test Procedures Seller will make no changes to the Products that affect the form, fit, or function of the Products including associated spare parts, which are deviated from the Specifications without the obtaining the prior written consent of Buyer. Buyer may, in writing, request a change to the Manufacturing Services, Packaging and Shipping Specifications and Test Procedures at any time. Within fourteen (14) business days after receipt of Buyer's written request, Seller will analyze the requested change and provide Buyer with an assessment of the effect that the requested change will have on cost, manufacturing, scheduling, delivery and implementation and the extent of change acceptable to Seller. Buyer will be responsible for all costs and expenses associated with any changes accepted by Seller.

11. PRESS RELEASES, TRADEMARKS, DISCLOSURE OF INFORMATION

- 11.1 Press Releases and Publicity Prior written approval of press releases and any other publicity regarding this Agreement or the Product shall be obtained by the releasing party from the other party in all cases, except as to where such disclosure is otherwise required by law (including federal and state securities laws) or by the rules and regulations of the National Association of Securities Dealers (NASD), or rules or regulations of any

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stock exchange or similar entity to which such party is subject, in which the publicity makes reference to said other party or this Agreement.

- 11.2 **Trademarks** The exterior of any Product (including the packing) as supplied by Seller to Buyer shall not bear any trademark or other identifying name or symbol of Seller or any contraction, abbreviation or simulation thereof. Buyer shall have the right to affix to the Product any trademarks as Buyer may decide at its discretion. If so requested by Buyer, Seller agrees, at no additional cost to Buyer, to mount on each of the Product (or to imprint on the packages) any said trademarks, in the form and location as instructed by Buyer.

In said case Buyer will furnish Seller with such trademark display for mounting of said Product or the artwork for the imprint on the packaging of the Product. Nothing contained in this Agreement shall be construed as conferring to either party any right or imposing any obligation to use in advertising, publicity or otherwise any trademark, name or symbol of the other party, or any trademark, name or symbol of the other party, or any contraction abbreviation or simulation thereof, except as expressly provided for in this Agreement.

12. **CONFIDENTIAL INFORMATION**

- 12.1 **Confidential Information** In performing the obligations and permitted activities under this Agreement, each party shall come in contact with certain confidential and proprietary information of the other party. For purposes of this Agreement, "Confidential Information" means, subject to the exceptions set forth in Section 12.3 hereof, any information or data, regardless of whether it is in tangible form, disclosed by either party (the "Disclosing Party") that the Disclosing Party has either marked as confidential or proprietary, or has identified in writing as confidential or proprietary within thirty (30) days of disclosure to the other party (the "Receiving Party"); provided, however, that reports and/or information related to or regarding a Disclosing Party's business plans, strategies, technology and research and development shall be deemed Confidential Information of the Disclosing Party even if not so marked or identified.
- 12.2 **Use and Disclosure of Confidential Information** Subject to Section 12.3, the Receiving Party agrees that it will not (i) use any Confidential Information in any way, for its own account or the account of any third party, except for the exercise of its rights and performance of its obligations under this Agreement, or (ii) disclose any Confidential Information to any party, other than furnishing such Confidential Information to (a) its employees and consultants who are reasonably required to have access to the Confidential Information in connection with the exercise of its rights and performance of its obligations under this Agreement and (b) investors, prospective acquirers and professional advisers; provided that such employees, consultants, investors, prospective acquirers and professional

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advisers are bound by written agreements or, in the case of professional advisers, ethical duties, respecting such Confidential Information in accordance with the terms of this Section 12. The Receiving Party agrees that it will not allow any unauthorized person access to Disclosing Party's Confidential Information, and that Receiving Party will take all action reasonably necessary to protect the confidentiality of such Confidential Information, including implementing and enforcing procedures to minimize the possibility of unauthorized use or copying of such Confidential Information. In the event that the Receiving Party is required by law to make any disclosure of any of Disclosing Party's Confidential Information, by subpoena, judicial or administrative order or otherwise, the Receiving Party shall first give written notice of such requirement to the Disclosing Party, and shall permit the Disclosing Party to intervene in any relevant proceedings to protect its interests in the Confidential Information, and provide full cooperation and assistance to the Disclosing Party in seeking to obtain such protection.

- 12.3 Exceptions The confidentiality obligations set forth in Section 12.2 shall not apply if and to the extent that such information: (a) is known to the Receiving Party prior to receipt from the Disclosing Party directly or indirectly from a source other than one having an obligation of confidentiality to the Disclosing Party; (b) becomes known (independently of disclosure by the Disclosing Party) to the Receiving Party directly or indirectly from a source other than one having an obligation of confidentiality to the Disclosing Party; or (c) becomes publicly known or otherwise ceases to be secret or confidential, except through a breach of this Agreement by the receiving party.
- 12.4 Effects of Termination Upon expiration or termination of this Agreement, each party shall return to the other party all Confidential Information received from the other party, including all copies thereof, to the other party or, with such other party's written consent, destroy all such Confidential Information. All use of such Confidential Information by a party shall cease on such termination or request for return. At the disclosing party's option, receiving party shall also provide written certification of its compliance with this Section 12.4.

13. INTELLECTUAL PROPERTY RIGHTS

- 13.1 Buyer Intellectual Property Buyer owns the entire right, title and interest to any Buyer Intellectual Property, and to any portion(s) of the Products(s) and associated documentation that have been developed by Seller for Buyer. Buyer obtains no rights or licenses to Seller Intellectual Property, except to the extent required to sell, modify or otherwise use Products purchased from Seller pursuant to this Agreement.
- 13.2 Seller Intellectual Property Seller shall retain all right, title and ownership to any Seller Intellectual Property that is prepared as part of the

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Manufacturing Services or as part of any other work provided pursuant to this Agreement.

- 13.3 Newly Developed Intellectual Property. The Newly Developed Intellectual Property constitutes “works made for hire” for Buyer, and Buyer will be considered the author and will be the owner of the Newly Developed Intellectual Property and all Intellectual Property Rights embodied therein or related thereto. If any Newly Developed Intellectual Property does not qualify for treatment as “works made for hire”, or if Seller retains any interest in any Newly Developed Intellectual Property for any other reason, Seller hereby grants, assigns and transfers, and will grant, assign and transfer, to Buyer all ownership and interest in such Newly Developed Intellectual Property. Seller acknowledges that all personnel performing Manufacturing Services for Buyer under this Agreement have executed appropriate agreements with Seller so that Seller may fulfill Seller’s obligations under this Section 13. Seller agrees to execute any documents of assignment or registration requested by Buyer relating to any and all Newly Developed Intellectual Property. Seller agrees to cooperate fully with Buyer, both during and after the engagement, with respect to the procurement, maintenance and enforcement of Intellectual Property Rights in or related to Newly Developed Intellectual Property.
- 13.4 Grant of License to Buyer Intellectual Property. Buyer hereby grants to Seller a limited, non-exclusive, non-transferable, non-assignable and non-sublicensable right and license to use the Buyer Intellectual Property, Proprietary Information and Technology and specifications solely for the purpose of performing its obligations under this Agreement, including manufacturing Products pursuant to this Agreement and supplying such Products only to Buyer. Such limited right and license shall extend to no other materials or for any other purpose and shall terminate automatically upon expiration or termination of the relevant Purchase Order or this Agreement for any reason.

14. INDEMNIFICATION

- 14.1 Buyer’s Indemnity Obligation Buyer shall indemnify, defend and hold Seller and its employees, subsidiaries, affiliates, successors and assigns harmless from and against any and all claims, demands, actions, suits, litigation, proceedings and the like by a third party (“Claims”) alleging either (1) that the making, using or selling of the Product or the use of the Specifications, the Buyer Intellectual Property Right, the Buyers’ Proprietary Information and Technology and/or the Packaging and Shipping Specifications infringe upon or misappropriate any third party’s Intellectual Property Rights or the subject matter of such third party’s Intellectual Property Rights; or (2) design or product liability alleging that any Product has caused damages of any kind (including but not limited to damage to property or injury or death); provided that the indemnity under

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this Section 14.1 shall not apply if any Claim is caused by (1) Seller's Manufacturing Process, or (2) the gross negligence or willful misconduct of the Seller.

- 14.2 Seller's Indemnity Obligation Seller shall indemnify, defend and hold Buyer and its employees, subsidiaries, affiliates, successors and assigns harmless from and against any Claims (1) alleging that Seller Intellectual Property or the use thereof (including without limitation the manufacture of Product using the Seller Intellectual Property) infringes upon or misappropriates any third party's Intellectual Property Rights or the subject matter of such third party's Intellectual Property Rights or (2) for damage to property or injury or death occurring to any third party arising out of possession or use by such third party of a Product provided that the indemnity under this Section 14.2 shall not apply if any Claim is caused by (1) Seller's use of materials, trademarks and symbols supplied by Buyer, Seller's reliance upon the Specifications, Buyer Intellectual Property Right, Buyers' Proprietary Information and Technology and/or the Packaging and Shipping Specifications in accordance with the terms of this Agreement, or (2) defects in design or product liability caused by Buyer or its agents, or (3) the gross negligence or willful misconduct of the Buyer.
- 14.3 Indemnification Procedure For all indemnification obligations under this Agreement, the party subject to the indemnity obligation (the "Indemnifying Party") will defend the claim utilizing counsel selected by the Indemnifying Party and not objected to by the other Party prior to commencement of the defense (the "Indemnified Party"). Any such objection shall not be unreasonably made; provided, that the Indemnifying Party is promptly notified by the Indemnified Party of such claim and provided that the Indemnified Party at its own expenses provides such assistance in assessing, defending and settling such claim (at the Indemnifying Party's expense) as the Indemnifying Party may reasonably request. The Indemnifying Party will not settle any claim without the written consent of the Indemnified Party, which will not be unreasonably withheld. If a party does not agree that a claim or suit is fully covered by its indemnity hereunder, then the parties agree to negotiate in good faith an equitable arrangement regarding the defense of the claim or suit and any settlement thereof consistent with the Indemnifying Party's obligations hereunder. The Indemnified Party may employ counsel, at its own expense, to assist it with respect to any such claim, provided that if such counsel is necessary because the Indemnifying Party does not assume control of the defense as required under this Agreement, the Indemnifying Party shall bear such expense.
- 14.4 Injunctions If, during the course of any intellectual property Claim, as to which Seller is required to indemnify Buyer hereunder, the use or sale of a Product is finally enjoined, Seller shall, at Seller's expense, (i) procure for Buyer the right to use or sell, as applicable, the Product, (ii) replace the Product with equivalent non-infringing technology, (iii) modify the Product

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to make it non-infringing but equivalent, or (iv) if none of the foregoing options is reasonably available, refund to Buyer an amount equal to the price paid by Buyer for said Product.

- 14.5 Limitation THE INDEMNITY CONTAINED IN THIS SECTION 14 STATES THE ENTIRE LIABILITY OF EITHER PARTY TO THE OTHER WITH RESPECT TO ANY AND ALL MISAPPROPRIATION OR INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY AND IS EXPRESSLY IN LIEU OF ALL WARRANTIES OR REPRESENTATIONS, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, IN REGARD THERETO.

15. TERM AND TERMINATION

- 15.1 This Agreement shall become effective as of the date of execution and, unless extended by written agreement of the parties or earlier terminated under the provision of this Section 15, it shall expire three (3) years from the date of execution.
- 15.2 This Agreement may be terminated by either party by written notice to the other party in the event such other party:
- (a) files a petition of bankruptcy, or is adjudicated bankrupt, or makes a general assignment for the otherwise unable to meet its financial and business obligations in a reasonable manner after they become due, or
 - (b) fails to perform any of its material obligations under this Agreement, and such failure is not remedied within sixty (60) days after a notification of default by the non-defaulting party.
- 15.3 Upon expiration or termination of this Agreement for any cause, the rights and obligations of the parties under this Agreement shall terminate, except for such rights and obligations which are expressly provided herein to survive the expiration or termination of this Agreement and except for any payment obligation on account of the proper performance prior to such expiration or termination.
- 15.4 The termination of this Agreement under the provisions of this Section 15 shall not extend its effect on the portion of the Agreement previously implemented.
- 15.5 The provisions for termination of this Agreement and their exercise shall not constitute a waiver by either party, or a substitute for, any relief or remedy which is otherwise available to it.
- 15.6 Notwithstanding the termination of this Agreement, tendering of Invoice by Seller to Buyer shall be deemed as a demand for payment and would be recoverable as a debt due and owing in the event of Buyer's bankruptcy under Clause 15.2 (a).

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16. FORCE MAJEURE

Neither party shall be liable for delays in or failure of performance due to causes beyond such party's reasonable control, including but not limited to, acts of God, acts of civil or military authority, legal restrictions, fires, explosion, embargo, mobilization, riots, epidemics, and to the extent the following are on a national basis, strikes, industrial disturbances, shortage of material, electricity, oil or transport, or restriction in the use of power.

In the event of any such delay or failure the affected party shall send written electronic notice of the same and the reason thereof to the other party within seven (7) calendar days from the time the affected party knew, or should have known, of the force majeure in question. The performance of the affected party shall be deemed suspended so long as, and to the extent that, any such force majeure continues; provided however, that after sixty (60) calendar days of such suspension on the part of either party, the other party may terminate without liability its obligations hereunder to the extent that the affected party's performance has been prevented or delayed.

17. GOVERNING LAW AND DISPUTE RESOLUTION

This Agreement is to be governed by, and construed in accordance with, the laws of the State of New York. All disputes or claims arising out of or relating to this Agreement that are not resolved by mutual agreement shall be resolved by binding arbitration to be conducted under the commercial arbitration rules of the American Arbitration Association (1) in Boston, Massachusetts, USA if such arbitration is sought by Seller or (2) in Hong Kong if such arbitration is sought by Buyer.

18. MISCELLANEOUS PROVISIONS

- 18.1 The rights and obligations of either party under this Agreement cannot be transferred or assigned to a third party without the prior written consent of the other party.
- 18.2 Subject to the provisions of Section 15.3, this Agreement shall be binding upon the parties hereto and their respective successors and assigns, notwithstanding any merger of a party hereto into, or acquisition of a party hereto by, another entity or any other change or control of such party.
- 18.3 The Agreement shall not be considered modified, altered, changed or amended in any respect unless in writing by a legal representative of each of the parties hereto. No manager, employee or Authorized Representative (as defined in Section 18.5) of either party, unless empowered in writing by a legal representative of the respective party, has any authority to waive, alter or enlarge this Agreement or to make any new or substitute or different contract, representation or warranty.

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

18.4 All notices, demand and other communications made hereunder shall be in writing and shall be given either by fax or email addressed to the respective Authorized Representatives at the following addresses:

Notice to Seller: 7/F Galaxy Factory Building
25-27 Luk Hop Street, San Po King
Kowloon, Hong Kong
Facsimile: (852) 2995 9038
Attn: Mr. Vincent Fung

Notice to Buyer: iRobot Corporation
63 South Avenue
Burlington, MA 01803
Facsimile: (781) 345-0201
Attn: Mr. Glen D. Weinstein

with a copy to: iRobot Far East
12/F, China Hong Kong Centre
122-126 Canton Road, T.S.T. Kowloon
Facsimile: (852) 3014 0754
Attn: Mr. Herman Pang

- 18.5 Mr. Vincent Fung is designated to act as the Authorized Representative of Seller regarding the implementation of this Agreement. Mr. Glen D. Weinstein of iRobot Corporation is designated to act as the Authorized Representative of Buyer regarding the implementation of this Agreement. Any change of the Authorized Representative by either party shall be notified in writing to the other party.
- 18.6 Subject to as required by applicable laws, rules and regulations and competent regulators, prior written approval of public announcements, press releases and other publicity regarding this Agreement shall be obtained by the releasing party from the other party in all events in which such announcement, press release or other publicity makes reference to this Agreement or said other party.
- 18.7 This Agreement and all schedules referred to in this Agreement, which are an integral part thereof, constitute the entire understanding between the parties and supersede any previous understanding regarding the subject matter hereof.
- 18.8 Any failure by the other party to enforce any provision of this Agreement shall in no way constitute a waiver or affect its right to require the performance thereof by the other party nor affect the validity of any other provision, except when this Agreement expressly provides otherwise.

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

18.9 Unless otherwise stated herein, each party shall bear its own costs, expenses, duties and taxes in connection with the preparation, execution and performance of the Agreement.

18.9 Each party warrants and represents to the other party that it has the capacity to enter into and perform its obligations under this Agreement, and that this Agreement, upon execution, will be a valid and binding agreement on it.

19. INTERPRETATION

All headings are inserted for convenience only and shall be ignored in the interpretation of this Agreement.

[Signature Page Follows]

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly empowered representatives as follows:

For and on behalf of Buyer

iROBOT CORPORATION

/s/ Glen D. Weinstein

Glen D. Weinstein
SVP & General Counsel
Date: March 23, 2007

For and on behalf of Seller

KIN YAT INDUSTRIAL CO. LTD.

/s/ Vincent Fung

Vincent Fung
Executive Director
Date: March 23, 2007

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

iROBOT CORPORATION

AMENDED AND RESTATED 2004 STOCK OPTION AND INCENTIVE PLAN

1. Purpose and Eligibility

The purpose of this Amended and Restated 2004 Stock Option and Incentive Plan (the "Plan") of iRobot Corporation (the "Company") is to amend and restate in its entirety the Company's 2004 Stock Option and Incentive Plan (as originally adopted and approved, the "Original Plan") and to provide stock options and other equity interests in the Company (each an "Award") to employees, officers, directors, consultants and advisors of the Company and its Subsidiaries, all of whom are eligible to receive Awards under the Plan. Any person to whom an Award has been granted under the Plan is called a "Participant." Additional definitions are contained in Section 8.

2. Administration

a. Administration by Board of Directors. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board, in its sole discretion, shall have the authority to grant and amend Awards, to adopt, amend and repeal rules relating to the Plan and to interpret and correct the provisions of the Plan and any Award. All decisions by the Board shall be final and binding on all interested persons. Neither the Company nor any member of the Board shall be liable for any action or determination relating to the Plan.

b. Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). All references in the Plan to the "Board" shall mean such Committee or the Board.

c. Delegation to Executive Officers. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to grant Awards and exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the maximum number of Awards to be granted and the maximum number of shares issuable to any one Participant pursuant to Awards granted by such executive officers.

3. Stock Available for Awards

a. Number of Shares. Subject to adjustment under Section 3(c), the aggregate number of shares of Common Stock of the Company, par value \$.01 per share (the "Common Stock") that may be issued pursuant to the Plan is (i) 1,189,423 shares plus (ii) such number of shares as equals that number of stock options returned to the Company's Amended and Restated 1994 Stock Plan, as amended, in accordance therewith, after November 16, 2004, as a result of the expiration, cancellation or termination; provided, however, that such aggregate number of shares that may be issued pursuant to the Plan shall not exceed 3,695,223 shares. If any Award expires, or is terminated, surrendered, cancelled or forfeited, in whole or in part, the unissued

Common Stock covered by such Award shall again be available for the grant of Awards under the Plan. If shares of Common Stock issued pursuant to the Plan are repurchased by, or are surrendered or forfeited to, the Company at no more than cost, such shares of Common Stock shall again be available for the grant of Awards under the Plan; provided, however, that the cumulative number of such shares that may be so reissued, together with all other shares that may be issued, under the Plan will not exceed 3,695,223 shares. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

b. Per-Participant Limit. Subject to adjustment under Section 3(c), no Participant may be granted Awards during any one fiscal year to purchase more than 2,586,656 shares of Common Stock.

c. Adjustment to Common Stock. In the event of any stock split, stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event, (i) the number and class of securities available for Awards under the Plan and the per-Participant share limit, (ii) the number and class of securities, vesting schedule and exercise price per share subject to each outstanding Option, (iii) the repurchase price per security subject to repurchase, and (iv) the terms of each other outstanding stock-based Award shall be adjusted by the Company in an equitable or proportionate manner determined by the Board to avoid distortion in the value of the Awards. If Section 7(e)(i) applies for any event, this Section 3(c) shall not be applicable. The adjustments by the Board shall be final, binding and conclusive.

4. Stock Options

a. General. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option and the Common Stock issued upon the exercise of each Option, including vesting provisions, repurchase provisions and restrictions relating to applicable federal or state securities laws, as it considers advisable.

b. Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall be granted only to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Board and the Company shall have no liability if an Option or any part thereof that is intended to be an Incentive Stock Option does not qualify as such. An Option or any part thereof that does not qualify as an Incentive Stock Option is referred to herein as a "Nonstatutory Stock Option".

c. Exercise Price. The Board shall establish the exercise price (or determine the method by which the exercise price shall be determined) at the time each Option is granted and specify it in the applicable option agreement.

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d. Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement.

e. Exercise of Option. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 4(f) for the number of shares for which the Option is exercised.

f. Payment Upon Exercise. Common Stock purchased upon the exercise of an Option shall be paid for by one or any combination of the following forms of payment:

(i) by cash or check payable to the order of the Company;

(ii) except as otherwise explicitly provided in the applicable option agreement, and only if the Common Stock is then publicly traded, delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Participant 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 sufficient to pay the exercise price; or

(iii) to the extent explicitly provided in the applicable option agreement, by (x) delivery of shares of Common Stock owned by the Participant valued at fair market value (as determined by the Board or as determined pursuant to the applicable option agreement), (y) delivery of a promissory note of the Participant to the Company (and delivery to the Company by the Participant of a check in an amount equal to the par value of the shares purchased), or (z) payment of such other lawful consideration as the Board may determine.

5. Restricted Stock

a. Grants. The Board may grant Awards entitling recipients to acquire shares of Common Stock, subject to (i) delivery to the Company by the Participant of cash or other lawful consideration in an amount at least equal to the par value of the shares purchased, and (ii) the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price from the Participant in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, a "Restricted Stock Award").

b. Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). After the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or, if the Participant has died, to the beneficiary designated by a Participant, in a manner determined by the Board, to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

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6. Other Stock-Based Awards

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including, without limitation, the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights, phantom stock awards or stock units.

7. General Provisions Applicable to Awards

a. Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

b. Documentation. Each Award under the Plan shall be evidenced by a written instrument in such form as the Board shall determine or as executed by an officer of the Company pursuant to authority delegated by the Board. Each Award may contain terms and conditions in addition to those set forth in the Plan provided that such terms and conditions do not contravene the provisions of the Plan.

c. Board Discretion. The terms of each type of Award need not be identical, and the Board need not treat Participants uniformly.

d. Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

e. Acquisition of the Company

(i) Consequences of an Acquisition. Upon the consummation of an Acquisition, the Board or the board of directors of the surviving or acquiring entity (as used in this Section 7(e)(i), also the "Board"), shall, as to outstanding Awards (on the same basis or on different bases as the Board shall specify), make appropriate provision for the continuation of such Awards by the Company or the assumption of such Awards by the surviving or acquiring entity and by substituting on an equitable basis for the shares then subject to such Awards either (a) the consideration payable with respect to the outstanding shares of Common Stock in connection with the Acquisition, (b) shares of stock of the surviving or acquiring corporation or (c) such other securities or other consideration as the Board deems appropriate, the fair market value of which (as determined by the Board in its sole discretion) shall not materially differ from the fair market value of the shares of Common Stock subject to such Awards immediately preceding the Acquisition. In addition to or in lieu of the foregoing, with respect to outstanding

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Options, the Board may, on the same basis or on different bases as the Board shall specify, upon written notice to the affected optionees, provide that one or more Options then outstanding must be exercised, in whole or in part, within a specified number of days of the date of such notice, at the end of which period such Options shall terminate, or provide that one or more Options then outstanding, in whole or in part, shall be terminated in exchange for a cash payment equal to the excess of the fair market value (as determined by the Board in its sole discretion) for the shares subject to such Options over the exercise price thereof; provided, however, that before terminating any portion of an Option that is not vested or exercisable (other than in exchange for a cash payment), the Board must first accelerate in full the exercisability of the portion that is to be terminated. Unless otherwise determined by the Board (on the same basis or on different bases as the Board shall specify), any repurchase rights or other rights of the Company that relate to an Option or other Award shall continue to apply to consideration, including cash, that has been substituted, assumed or amended for an Option or other Award pursuant to this paragraph. The Company may hold in escrow all or any portion of any such consideration in order to effectuate any continuing restrictions.

(ii) Acquisition Defined. An "Acquisition" shall mean: (x) the sale of the Company by merger in which the shareholders of the Company in their capacity as such no longer own a majority of the outstanding equity securities of the Company (or its successor); or (y) any sale of all or substantially all of the assets or capital stock of the Company (other than in a spin-off or similar transaction) or (z) any other acquisition of the business of the Company, as determined by the Board.

(iii) Assumption of Options Upon Certain Events. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards under the Plan in substitution for stock and stock-based awards issued by such entity or an affiliate thereof. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

f. Withholding. Each Participant shall pay to the Company, or make provisions satisfactory to the Company for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. The Board may allow Participants to satisfy such tax obligations in whole or in part by transferring shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their fair market value (as determined by the Board or as determined pursuant to the applicable option agreement). The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

g. Amendment of Awards. The Board may amend, modify or terminate any outstanding Award including, but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

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h. Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

i. Acceleration. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be free of some or all restrictions, or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be, despite the fact that the foregoing actions may (i) cause the application of Sections 280G and 4999 of the Code if a change in control of the Company occurs, or (ii) disqualify all or part of the Option as an Incentive Stock Option. In the event of the acceleration of the exercisability of one or more outstanding Options, including pursuant to paragraph (e)(i), the Board may provide, as a condition of full exercisability of any or all such Options, that the Common Stock or other substituted consideration, including cash, as to which exercisability has been accelerated shall be restricted and subject to forfeiture back to the Company at the option of the Company at the cost thereof upon termination of employment or other relationship, with the timing and other terms of the vesting of such restricted stock or other consideration being equivalent to the timing and other terms of the superseded exercise schedule of the related Option.

8. Miscellaneous

a. Definitions.

(i) "Company," for purposes of eligibility under the Plan, shall include any present or future subsidiary corporations of iRobot Corporation, as defined in Section 424(f) of the Code (a "Subsidiary"), and any present or future parent corporation of iRobot Corporation, as defined in Section 424(e) of the Code. For purposes of Awards other than Incentive Stock Options, the term "Company" shall include any other business venture in which the Company has a direct or indirect significant interest, as determined by the Board in its sole discretion.

(ii) "Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

(iii) "employee" for purposes of eligibility under the Plan (but not for purposes of Section 4(b)) shall include a person to whom an offer of employment has been extended by the Company.

b. No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a

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Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan.

c. No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder thereof.

d. Effective Date and Term of Plan. The Plan became effective on November 12, 2004, the date on which the Original Plan was adopted by the Board. No Awards shall be granted under the Plan after November 12, 2014, but Awards previously granted may extend beyond that date.

e. Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time.

f. Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of Delaware, without regard to any applicable conflicts of law.

Original Plan adopted by the Board of
Directors on November 12, 2004

Original Plan approved by the stockholders
on November 29, 2004

Amendment and Restatement Approved by
Board of Directors on February 9, 2005

Amendment and Restatement Approved by
Board of Directors on July 13, 2007

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IROBOT CORPORATION

INCENTIVE STOCK OPTION AGREEMENT

iRobot Corporation (the "Company") hereby grants the following stock option pursuant to its 2004 Stock Option and Incentive Plan, as amended from time to time. The terms and conditions attached hereto are also a part hereof.

Name of optionee (the "Optionee"*):
Date of this option grant:
Number of shares of the Company's Common Stock subject to this option ("Shares"):
Option exercise price per share:
Number, if any, of Shares that may be purchased on or after the grant date:
Shares that are subject to vesting schedule:
Vesting Start Date:

Vesting Schedule:

One year from Vesting Start Date: ___% of the Shares
Two years from Vesting Start Date: ___% of the Shares
Three years from Vesting Start Date: ___% of the Shares
Four years from Vesting Start Date: ___% of the Shares
Five years from Vesting Start Date: ___% of the Shares
All vesting is dependent on the continuation of a Business Relationship with the Company, as provided herein.
Payment alternatives: Section 7(a)(i) through (iii)

This option satisfies in full all commitments that the Company has to the Optionee with respect to the issuance of stock, stock options or other equity securities.

IROBOT CORPORATION

Signature of Optionee By:
Name of Officer:
Street Address Title:
City/State/Zip Code

* N.B.: This form of agreement is designed for grants of "incentive stock options" to employees who, at time of grant, are not 10% stockholders.

IROBOT CORPORATION

INCENTIVE STOCK OPTION AGREEMENT -- INCORPORATED TERMS AND CONDITIONS

1. Grant Under Plan. This option is granted pursuant to and is governed by the Company's 2004 Stock Option and Incentive Plan, as amended from time to time (the "Plan") and, unless the context otherwise requires, terms used herein shall have the same meaning as in the Plan.

2. Grant as Incentive Stock Option. This option is intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code").

3. Vesting of Option.

(a) Vesting if Business Relationship Continues. The Optionee may exercise this option on or after the date of this option grant for the number of shares of Common Stock, if any, set forth (or, to the extent applicable, derived from the percentages set forth) on the cover page hereof. If the Optionee has continuously maintained a Business Relationship (as defined below) with the Company through the dates listed on the vesting schedule set forth on the cover page hereof, the Optionee may exercise this option for the additional number of shares of Common Stock set opposite the applicable vesting date. Notwithstanding the foregoing, the Board may, in its discretion, accelerate the date that any installment of this option becomes exercisable. The foregoing rights are cumulative and may be exercised only before the date which is ten years from the date of this option grant.

(b) For purposes hereof, "Business Relationship" shall mean service to the Company or its successor in the capacity of an employee, officer, director or consultant.

4. Termination of Business Relationship.

(a) Termination. If the Optionee's Business Relationship with the Company ceases, voluntarily or involuntarily, with or without cause, no further installments of this option shall become exercisable, and this option shall expire (may no longer be exercised) after the passage of 90 days from the date of termination, but in no event later than the scheduled expiration date. Any determination under this agreement as to the status of a Business Relationship or other matters referred to above shall be made in good faith by the Board of Directors of the Company.

(b) Employment Status. For purposes hereof, with respect to employees of the Company, employment shall not be considered as having terminated during any leave of absence if such leave of absence has been approved in writing by the Company and if such written approval contractually obligates the Company to continue the employment of the Optionee after the approved period of absence; in the event of such an approved leave of absence, vesting of this option shall be suspended (and the period of the leave of

absence shall be added to all vesting dates) unless otherwise provided in the Company's written approval of the leave of absence. For purposes hereof, a termination of employment followed by another Business Relationship shall be deemed a termination of the Business Relationship with all vesting to cease unless the Company enters into a written agreement related to such other Business Relationship in which it is specifically stated that there is no termination of the Business Relationship under this agreement. This option shall not be affected by any change of employment within or among the Company and its Subsidiaries so long as the Optionee continuously remains an employee of the Company or any Subsidiary.

5. Death; Disability.

(a) Death. Upon the death of the Optionee while the Optionee is maintaining a Business Relationship with the Company, this option may be exercised, to the extent otherwise exercisable on the date of the Optionee's death, by the Optionee's estate, personal representative or beneficiary to whom this option has been transferred pursuant to Section 10, only at any time within 180 days after the date of death, but not later than the scheduled expiration date.

(b) Disability. If the Optionee ceases to maintain a Business Relationship with the Company by reason of his or her disability, this option may be exercised, to the extent otherwise exercisable on the date of cessation of the Business Relationship, only at any time within 180 days after such cessation of the Business Relationship, but not later than the scheduled expiration date. For purposes hereof, "disability" means "permanent and total disability" as defined in Section 22(e)(3) of the Code.

6. Partial Exercise. This option may be exercised in part at any time and from time to time within the above limits, except that this option may not be exercised for a fraction of a share.

7. Payment of Exercise Price.

(a) Payment Options. The exercise price shall be paid by one or any combination of the following forms of payment that are applicable to this option, as indicated on the cover page hereof:

- (i) by cash or check payable to the order of the Company; or
- (ii) if the Common Stock is then traded on a national securities exchange or on the Nasdaq National Market (or successor trading system), delivery of an irrevocable and unconditional undertaking, satisfactory in form and substance to the Company, by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Optionee to the Company of a copy of irrevocable and unconditional instructions, satisfactory in form and substance to the Company, to a

creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price; or

- (iii) subject to Section 7(b) below, if the Common Stock is then traded on a national securities exchange or on the Nasdaq National Market (or successor trading system), by delivery of shares of Common Stock having a fair market value equal as of the date of exercise to the option price.

In the case of (iii) above, fair market value as of the date of exercise shall be determined as of the last business day for which such prices or quotes are available prior to the date of exercise and shall mean (i) the last reported sale price (on that date) of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the last reported sale price (on that date) of the Common Stock on the Nasdaq National Market (or successor trading system), if the Common Stock is not then traded on a national securities exchange.

(b) Limitations on Payment by Delivery of Common Stock. If Section 7(a)(iii) is applicable, and if the Optionee delivers Common Stock held by the Optionee ("Old Stock") to the Company in full or partial payment of the exercise price and the Old Stock so delivered is subject to restrictions or limitations imposed by agreement between the Optionee and the Company, an equivalent number of Shares shall be subject to all restrictions and limitations applicable to the Old Stock to the extent that the Optionee paid for the Shares by delivery of Old Stock, in addition to any restrictions or limitations imposed by this agreement. Notwithstanding the foregoing, the Optionee may not pay any part of the exercise price hereof by transferring Common Stock to the Company unless such Common Stock has been owned by the Optionee free of any substantial risk of forfeiture for at least six months.

8. Securities Laws Restrictions on Resale. Until registered under the Securities Act of 1933, as amended, or any successor statute (the "Securities Act"), the Shares will be illiquid and will be deemed to be "restricted securities" for purposes of the Securities Act. Accordingly, such shares must be sold in compliance with the registration requirements of the Securities Act or an exemption therefrom and may need to be held indefinitely. Unless the Shares have been registered under the Securities Act, each certificate evidencing any of the Shares shall bear a restrictive legend specified by the Company.

9. Method of Exercising Option. Subject to the terms and conditions of this agreement, this option may be exercised by written notice to the Company at its principal executive office, or to such transfer agent as the Company shall designate. Such notice shall state the election to exercise this option and the number of Shares for which it is being exercised and shall be signed by the person or persons so exercising this option. Such notice shall be accompanied by payment of the full purchase price of such shares, and the Company shall deliver a certificate or certificates representing such shares as soon as practicable after the notice shall be received. Such certificate or certificates shall be registered in the name of the person or persons so exercising this option (or, if this option shall be exercised by the Optionee and if the

Optionee shall so request in the notice exercising this option, shall be registered in the name of the Optionee and another person jointly, with right of survivorship). In the event this option shall be exercised, pursuant to Section 5 hereof, by any person or persons other than the Optionee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise this option.

10. Option Not Transferable. This option is not transferable or assignable except by will or by the laws of descent and distribution. During the Optionee's lifetime only the Optionee can exercise this option.

11. No Obligation to Exercise Option. The grant and acceptance of this option imposes no obligation on the Optionee to exercise it.

12. No Obligation to Continue Business Relationship. Neither the Plan, this agreement, nor the grant of this option imposes any obligation on the Company to continue the Optionee in employment or other Business Relationship.

13. Adjustments. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to such date of exercise.

14. Withholding Taxes. If the Company in its discretion determines that it is obligated to withhold any tax in connection with the exercise of this option, or in connection with the transfer of, or the lapse of restrictions on, any Common Stock or other property acquired pursuant to this option, the Optionee hereby agrees that the Company may withhold from the Optionee's wages or other remuneration the appropriate amount of tax. At the discretion of the Company, the amount required to be withheld may be withheld in cash from such wages or other remuneration or in kind from the Common Stock or other property otherwise deliverable to the Optionee on exercise of this option. The Optionee further agrees that, if the Company does not withhold an amount from the Optionee's wages or other remuneration sufficient to satisfy the withholding obligation of the Company, the Optionee will make reimbursement on demand, in cash, for the amount underwithheld.

15. Restrictions on Transfer; Company's Right of First Refusal.

(a) Exercise of Right. Shares may not be transferred without the Company's written consent except by will, by the laws of descent and distribution or in accordance with the further provisions of this Section 15. If the Optionee desires to transfer all or any part of the Shares to any person other than the Company (an "Offeror"), the Optionee shall: (i) obtain in writing an irrevocable and unconditional bona fide offer (the "Offer") for the purchase thereof from the Offeror; and (ii) give written notice (the "Option Notice") to the Company setting forth the Optionee's desire to transfer such shares, which Option Notice shall be accompanied by a photocopy of the Offer and shall set forth at least the name and address of the Offeror and the price and terms of the Offer. Upon receipt of the Option Notice, the Company shall have an assignable option to purchase any or all of such Shares (the "Offered Shares") specified in the Option Notice,

such option to be exercisable by giving, within 30 days after receipt of the Option Notice, a written counter-notice to the Optionee. If the Company elects to purchase all of such Offered Shares, it shall be obligated to purchase, and the Optionee shall be obligated to sell to the Company or its assignee, such Offered Shares at the price and terms indicated in the Offer within 30 days from the date of delivery by the Company of such counter-notice. To the extent that the consideration proposed to be paid by the Offeror for the shares consists of property other than cash or a promissory note, the consideration required to be paid by the Company may consist of cash equal to the fair market value of such property, as determined in good faith by the Board of Directors of the Company.

(b) Sale of Shares to Offeror. The Optionee may, for 60 days after the expiration of the 30-day option period as set forth in Section 15(a), sell to the Offeror, pursuant to the terms of the Offer, all of such Offered Shares not purchased or agreed to be purchased by the Company or its assignee; provided, however, that the Optionee shall not sell such Shares to such Offeror if such Offeror is a competitor of the Company and the Company gives written notice to the Optionee, within 30 days of its receipt of the Option Notice, stating that the Optionee shall not sell his or her Shares to such Offeror; and provided, further, that prior to the sale of such Shares to an Offeror, such Offeror shall execute an agreement with the Company pursuant to which such Offeror agrees to be subject to the restrictions set forth in this Section 15. If any or all of such Shares are not sold pursuant to an Offer within the time permitted above, the unsold Shares shall remain subject to the terms of this Section 15.

(c) Failure to Deliver Shares. If the Optionee (or his or her legal representative) who has become obligated to sell Shares hereunder shall fail to deliver such shares to the Company in accordance with the terms of this agreement, the Company may, at its option, in addition to all other remedies it may have, mail to the Optionee the purchase price for such shares as is herein specified. Thereupon, the Company: (i) shall cancel on its books the certificate or certificates representing such Shares to be sold; and (ii) shall issue, in lieu thereof, a new certificate or certificates in the name of the Company representing such Shares (or cancel such Shares), and thereupon all of such Optionee's rights in and to such Shares shall terminate.

(d) Expiration of Company's Right of First Refusal and Transfer Restrictions. The first refusal rights of the Company and the transfer restrictions set forth in this Section 15 shall expire as to Shares immediately prior to the closing of an underwritten public offering of Common Stock by the Company pursuant to an effective registration statement filed under the Securities Act. In addition, if the Company and the Optionee are parties to an agreement containing first refusal provisions similar to the foregoing, such other agreement shall control.

16. Early Disposition. The Optionee agrees to notify the Company in writing immediately after the Optionee transfers any Shares, if such transfer occurs on or before the later of (a) the date that is two years after the date of this agreement or (b) the date that is one year after the date on which the Optionee acquired such Shares. The Optionee also agrees to provide

the Company with any information concerning any such transfer required by the Company for tax purposes.

17. Lock-up Agreement. The Optionee agrees that, in the event that the Company effects an initial underwritten public offering of Common Stock registered under the Securities Act, he, she or it shall not sell, offer for sale or otherwise dispose of, directly or indirectly, the Shares, or any other shares of Common Stock or any securities convertible into or exchangeable for Common Stock held immediately prior to the effectiveness of the Securities Act registration for such offering, without the prior written consent of the managing underwriter(s) of the offering, for such period of time after the execution of an underwriting agreement in connection with such offering that all of the Company's then directors and executive officers agree to be similarly bound. The underwriters of the offering are intended third-party beneficiaries of this Section 17 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. The Optionee further agrees to execute such agreements as may be reasonably requested by the underwriters of the offering that are consistent with this Section 17 or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the shares subject to the foregoing restrictions (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

18. Arbitration. Any dispute, controversy, or claim arising out of, in connection with, or relating to the performance of this agreement or its termination shall be settled by arbitration in the Commonwealth of Massachusetts, pursuant to the rules then obtaining of the American Arbitration Association. Any award shall be final, binding and conclusive upon the parties and a judgment rendered thereon may be entered in any court having jurisdiction thereof.

19. Provision of Documentation to Optionee. By signing this agreement the Optionee acknowledges receipt of a copy of this agreement and a copy of the Plan.

20. Miscellaneous.

(a) Notices. All notices hereunder shall be in writing and shall be deemed given when sent by mail, if to the Optionee, to the address set forth on the cover page or at the address shown on the records of the Company, and if to the Company, to the Company's principal executive offices, attention of the Corporate Secretary.

(b) Entire Agreement; Modification. This agreement constitutes the entire agreement between the parties relative to the subject matter hereof, and supersedes all proposals, written or oral, and all other communications between the parties relating to the subject matter of this agreement. This agreement may be modified, amended or rescinded only by a written agreement executed by both parties.

(c) Fractional Shares. If this option becomes exercisable for a fraction of a share because of the adjustment provisions contained in the Plan, such fraction shall be rounded down.

(d) Issuances of Securities; Changes in Capital Structure. Except as expressly provided herein or in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to this option. No adjustments need be made for dividends paid in cash or in property other than securities of the Company. If there shall be any change in the Common Stock of the Company through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination or exchange of shares, spin-off, split-up or other similar change in capitalization or event, the restrictions contained in this agreement shall apply with equal force to additional and/or substitute securities, if any, received by the Optionee in exchange for, or by virtue of his or her ownership of, Shares, except as otherwise determined by the Board.

(e) Severability. The invalidity, illegality or unenforceability of any provision of this agreement shall in no way affect the validity, legality or enforceability of any other provision.

(f) Successors and Assigns. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the limitations set forth in Section 10 hereof.

(g) Governing Law. This agreement shall be governed by and interpreted in accordance with the laws of the state of Delaware, without giving effect to the principles of the conflicts of laws thereof.

IROBOT CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT

iRobot Corporation (the "Company") hereby grants the following stock option pursuant to its 2004 Stock Option and Incentive Plan, as amended from time to time. The terms and conditions attached hereto are also a part hereof.

Name of optionee (the "Optionee"):
Date of this option grant:
Number of shares of the Company's Common Stock
subject to this option ("Shares"):
Option exercise price per share:
Number, if any, of Shares that may be purchased
on or after the grant date:
Shares that are subject to vesting schedule:
Vesting Start Date:

Vesting Schedule:

One year from Vesting Start Date: _____% of the Shares
Two years from Vesting Start Date: _____% of the Shares
Three years from Vesting Start Date: _____% of the Shares
Four years from Vesting Start Date: _____% of the Shares
Five years from Vesting Start Date: _____% of the Shares

All vesting is dependent on the continuation of a Business Relationship with the Company, as provided herein.
Payment alternatives: Section 7(a)(i) through (iii)

This option satisfies in full all commitments that the Company has to the Optionee with respect to the issuance of stock, stock options or other equity securities.

IROBOT CORPORATION

By: _____

Signature of Optionee

Name of Officer: _____

Street Address

Title: _____

City/State/Zip Code

IROBOT CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT -- INCORPORATED TERMS AND CONDITIONS

1. Grant Under Plan. This option is granted pursuant to and is governed by the Company's 2004 Stock Option and Incentive Plan, as amended from time to time (the "Plan") and, unless the context otherwise requires, terms used herein shall have the same meaning as in the Plan.

2. Designation of Option. This Option is intended to be a Nonstatutory Stock Option and is not intended to qualify as an Incentive Stock Option as defined in Section 422 of the Internal Revenue Code of 1986, as amended and the regulations thereunder (the "Code").

3. Vesting of Option.

(a) Vesting if Business Relationship Continues. The Optionee may exercise this option on or after the date of this option grant for the number of shares of Common Stock, if any, set forth (or, to the extent applicable, derived from the percentages set forth) on the cover page hereof. If the Optionee has continuously maintained a Business Relationship (as defined below) with the Company through the dates listed on the vesting schedule set forth on the cover page hereof, the Optionee may exercise this option for the additional number of shares of Common Stock set opposite the applicable vesting date. Notwithstanding the foregoing, the Board may, in its discretion, accelerate the date that any installment of this option becomes exercisable. The foregoing rights are cumulative and may be exercised only before the date which is ten years from the date of this option grant.

(b) For purposes hereof, "Business Relationship" shall mean service to the Company or its successor in the capacity of an employee, officer, director or consultant.

4. Termination of Business Relationship.

(a) Termination. If the Optionee's Business Relationship with the Company ceases, voluntarily or involuntarily, with or without cause, no further installments of this option shall become exercisable, and this option shall expire (may no longer be exercised) after the passage of three months from the date of termination, but in no event later than the scheduled expiration date. Any determination under this agreement as to the status of a Business Relationship or other matters referred to above shall be made in good faith by the Board of Directors of the Company.

(b) Employment Status. For purposes hereof, with respect to employees of the Company, employment shall not be considered as having terminated during any leave of absence if such leave of absence has been approved in writing by the Company and if such written approval contractually obligates the Company to continue the employment of the Optionee after the approved period of absence; in the event of such an approved leave

of absence, vesting of this option shall be suspended (and the period of the leave of absence shall be added to all vesting dates) unless otherwise provided in the Company's written approval of the leave of absence. For purposes hereof, a termination of employment followed by another Business Relationship shall be deemed a termination of the Business Relationship with all vesting to cease unless the Company enters into a written agreement related to such other Business Relationship in which it is specifically stated that there is no termination of the Business Relationship under this agreement. This option shall not be affected by any change of employment within or among the Company and its Subsidiaries so long as the Optionee continuously remains an employee of the Company or any Subsidiary.

5. Death; Disability.

(a) Death. Upon the death of the Optionee while the Optionee is maintaining a Business Relationship with the Company, this option may be exercised, to the extent otherwise exercisable on the date of the Optionee's death, by the Optionee's estate, personal representative or beneficiary to whom this option has been transferred pursuant to Section 10, only at any time within 180 days after the date of death, but not later than the scheduled expiration date.

(b) Disability. If the Optionee ceases to maintain a Business Relationship with the Company by reason of his or her disability, this option may be exercised, to the extent otherwise exercisable on the date of cessation of the Business Relationship, only at any time within 180 days after such cessation of the Business Relationship, but not later than the scheduled expiration date. For purposes hereof, "disability" means "permanent and total disability" as defined in Section 22(e)(3) of the Code.

6. Partial Exercise. This option may be exercised in part at any time and from time to time within the above limits, except that this option may not be exercised for a fraction of a share.

7. Payment of Exercise Price.

(a) Payment Options. The exercise price shall be paid by one or any combination of the following forms of payment that are applicable to this option, as indicated on the cover page hereof:

(i) by cash or check payable to the order of the Company; or

(ii) if the Common Stock is then traded on a national securities exchange or on the Nasdaq National Market (or successor trading system), delivery of an irrevocable and unconditional undertaking, satisfactory in form and substance to the Company, by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Optionee to the Company of a copy of irrevocable and unconditional

instructions, satisfactory in form and substance to the Company, to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price; or

- (iii) subject to Section 7(b) below, if the Common Stock is then traded on a national securities exchange or on the Nasdaq National Market (or successor trading system), by delivery of shares of Common Stock having a fair market value equal as of the date of exercise to the option price.

In the case of (iii) above, fair market value as of the date of exercise shall be determined as of the last business day for which such prices or quotes are available prior to the date of exercise and shall mean (i) the last reported sale price (on that date) of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the last reported sale price (on that date) of the Common Stock on the Nasdaq National Market (or successor trading system), if the Common Stock is not then traded on a national securities exchange.

(b) Limitations on Payment by Delivery of Common Stock. If Section 7(a)(iii) is applicable, and if the Optionee delivers Common Stock held by the Optionee ("Old Stock") to the Company in full or partial payment of the exercise price and the Old Stock so delivered is subject to restrictions or limitations imposed by agreement between the Optionee and the Company, an equivalent number of Shares shall be subject to all restrictions and limitations applicable to the Old Stock to the extent that the Optionee paid for the Shares by delivery of Old Stock, in addition to any restrictions or limitations imposed by this agreement. Notwithstanding the foregoing, the Optionee may not pay any part of the exercise price hereof by transferring Common Stock to the Company unless such Common Stock has been owned by the Optionee free of any substantial risk of forfeiture for at least six months.

8. Securities Laws Restrictions on Resale. Until registered under the Securities Act of 1933, as amended, or any successor statute (the "Securities Act"), the Shares will be illiquid and will be deemed to be "restricted securities" for purposes of the Securities Act. Accordingly, such shares must be sold in compliance with the registration requirements of the Securities Act or an exemption therefrom and may need to be held indefinitely. Unless the Shares have been registered under the Securities Act, each certificate evidencing any of the Shares shall bear a restrictive legend specified by the Company.

9. Method of Exercising Option. Subject to the terms and conditions of this agreement, this option may be exercised by written notice to the Company at its principal executive office, or to such transfer agent as the Company shall designate. Such notice shall state the election to exercise this option and the number of Shares for which it is being exercised and shall be signed by the person or persons so exercising this option. Such notice shall be accompanied by payment of the full purchase price of such shares, and the Company shall deliver a certificate or certificates representing such shares as soon as practicable after the notice shall be

received. Such certificate or certificates shall be registered in the name of the person or persons so exercising this option (or, if this option shall be exercised by the Optionee and if the Optionee shall so request in the notice exercising this option, shall be registered in the name of the Optionee and another person jointly, with right of survivorship). In the event this option shall be exercised, pursuant to Section 5 hereof, by any person or persons other than the Optionee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise this option.

10. Option Not Transferable. This option is not transferable or assignable except by will or by the laws of descent and distribution. During the Optionee's lifetime only the Optionee can exercise this option.

11. No Obligation to Exercise Option. The grant and acceptance of this option imposes no obligation on the Optionee to exercise it.

12. No Obligation to Continue Business Relationship. Neither the Plan, this agreement, nor the grant of this option imposes any obligation on the Company to continue the Optionee in employment or other Business Relationship.

13. Adjustments. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to such date of exercise.

14. Withholding Taxes. If the Company in its discretion determines that it is obligated to withhold any tax in connection with the exercise of this option, or in connection with the transfer of, or the lapse of restrictions on, any Common Stock or other property acquired pursuant to this option, the Optionee hereby agrees that the Company may withhold from the Optionee's wages or other remuneration the appropriate amount of tax. At the discretion of the Company, the amount required to be withheld may be withheld in cash from such wages or other remuneration or in kind from the Common Stock or other property otherwise deliverable to the Optionee on exercise of this option. The Optionee further agrees that, if the Company does not withhold an amount from the Optionee's wages or other remuneration sufficient to satisfy the withholding obligation of the Company, the Optionee will make reimbursement on demand, in cash, for the amount underwithheld.

15. Restrictions on Transfer; Company's Right of First Refusal.

(a) Exercise of Right. Shares may not be transferred without the Company's written consent except by will, by the laws of descent and distribution or in accordance with the further provisions of this Section 15. If the Optionee desires to transfer all or any part of the Shares to any person other than the Company (an "Offeror"), the Optionee shall: (i) obtain in writing an irrevocable and unconditional bona fide offer (the "Offer") for the purchase thereof from the Offeror; and (ii) give written notice (the "Option Notice") to the Company setting forth the Optionee's desire to transfer such shares, which Option Notice shall be accompanied by a photocopy of the Offer and shall set forth at

least the name and address of the Offeror and the price and terms of the Offer. Upon receipt of the Option Notice, the Company shall have an assignable option to purchase any or all of such Shares (the "Offered Shares") specified in the Option Notice, such option to be exercisable by giving, within 30 days after receipt of the Option Notice, a written counter-notice to the Optionee. If the Company elects to purchase all of such Offered Shares, it shall be obligated to purchase, and the Optionee shall be obligated to sell to the Company or its assignee, such Offered Shares at the price and terms indicated in the Offer within 30 days from the date of delivery by the Company of such counter-notice. To the extent that the consideration proposed to be paid by the Offeror for the shares consists of property other than cash or a promissory note, the consideration required to be paid by the Company may consist of cash equal to the fair market value of such property, as determined in good faith by the Board of Directors of the Company.

(b) Sale of Shares to Offeror. The Optionee may, for 60 days after the expiration of the 30-day option period as set forth in Section 15(a), sell to the Offeror, pursuant to the terms of the Offer, all of such Offered Shares not purchased or agreed to be purchased by the Company or its assignee; provided, however, that the Optionee shall not sell such Shares to such Offeror if such Offeror is a competitor of the Company and the Company gives written notice to the Optionee, within 30 days of its receipt of the Option Notice, stating that the Optionee shall not sell his or her Shares to such Offeror; and provided, further, that prior to the sale of such Shares to an Offeror, such Offeror shall execute an agreement with the Company pursuant to which such Offeror agrees to be subject to the restrictions set forth in this Section 15. If any or all of such Shares are not sold pursuant to an Offer within the time permitted above, the unsold Shares shall remain subject to the terms of this Section 15.

(c) Failure to Deliver Shares. If the Optionee (or his or her legal representative) who has become obligated to sell Shares hereunder shall fail to deliver such shares to the Company in accordance with the terms of this agreement, the Company may, at its option, in addition to all other remedies it may have, mail to the Optionee the purchase price for such shares as is herein specified. Thereupon, the Company: (i) shall cancel on its books the certificate or certificates representing such Shares to be sold; and (ii) shall issue, in lieu thereof, a new certificate or certificates in the name of the Company representing such Shares (or cancel such Shares), and thereupon all of such Optionee's rights in and to such Shares shall terminate.

(d) Expiration of Company's Right of First Refusal and Transfer Restrictions. The first refusal rights of the Company and the transfer restrictions set forth in this Section 15 shall expire as to Shares immediately prior to the closing of an underwritten public offering of Common Stock by the Company pursuant to an effective registration statement filed under the Securities Act. In addition, if the Company and the Optionee are parties to an agreement containing first refusal provisions similar to the foregoing, such other agreement shall control.

16. Early Disposition. The Optionee agrees to notify the Company in writing immediately after the Optionee transfers any Shares, if such transfer occurs on or before the later of (a) the date that is two years after the date of this agreement or (b) the date that is one year after the date on which the Optionee acquired such Shares. The Optionee also agrees to provide the Company with any information concerning any such transfer required by the Company for tax purposes.

17. Lock-up Agreement. The Optionee agrees that, in the event that the Company effects an initial underwritten public offering of Common Stock registered under the Securities Act, he, she or it shall not sell, offer for sale or otherwise dispose of, directly or indirectly, the Shares, or any other shares of Common Stock or any securities convertible into or exchangeable for Common Stock held immediately prior to the effectiveness of the Securities Act registration for such offering, without the prior written consent of the managing underwriter(s) of the offering, for such period of time after the execution of an underwriting agreement in connection with such offering that all of the Company's then directors and executive officers agree to be similarly bound. The underwriters of the offering are intended third-party beneficiaries of this Section 17 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. The Optionee further agrees to execute such agreements as may be reasonably requested by the underwriters of the offering that are consistent with this Section 17 or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the shares subject to the foregoing restrictions (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

18. Arbitration. Any dispute, controversy, or claim arising out of, in connection with, or relating to the performance of this agreement or its termination shall be settled by arbitration in the Commonwealth of Massachusetts, pursuant to the rules then obtaining of the American Arbitration Association. Any award shall be final, binding and conclusive upon the parties and a judgment rendered thereon may be entered in any court having jurisdiction thereof.

19. Provision of Documentation to Optionee. By signing this agreement the Optionee acknowledges receipt of a copy of this agreement and a copy of the Plan.

20. Miscellaneous.

(a) Notices. All notices hereunder shall be in writing and shall be deemed given when sent by mail, if to the Optionee, to the address set forth on the cover page or at the address shown on the records of the Company, and if to the Company, to the Company's principal executive offices, attention of the Corporate Secretary.

(b) Entire Agreement; Modification. This agreement constitutes the entire agreement between the parties relative to the subject matter hereof, and supersedes all proposals, written or oral, and all other communications between the parties relating to the subject matter of this agreement. This agreement may be modified, amended or rescinded only by a written agreement executed by both parties.

(c) Fractional Shares. If this option becomes exercisable for a fraction of a share because of the adjustment provisions contained in the Plan, such fraction shall be rounded down.

(d) Issuances of Securities; Changes in Capital Structure. Except as expressly provided herein or in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to this option. No adjustments need be made for dividends paid in cash or in property other than securities of the Company. If there shall be any change in the Common Stock of the Company through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination or exchange of shares, spin-off, split-up or other similar change in capitalization or event, the restrictions contained in this agreement shall apply with equal force to additional and/or substitute securities, if any, received by the Optionee in exchange for, or by virtue of his or her ownership of, Shares, except as otherwise determined by the Board.

(e) Severability. The invalidity, illegality or unenforceability of any provision of this agreement shall in no way affect the validity, legality or enforceability of any other provision.

(f) Successors and Assigns. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the limitations set forth in Section 10 hereof.

(g) Governing Law. This agreement shall be governed by and interpreted in accordance with the laws of the state of Delaware, without giving effect to the principles of the conflicts of laws thereof.

**DEFERRED STOCK AWARD AGREEMENT
UNDER THE iROBOT CORPORATION
2005 STOCK OPTION AND INCENTIVE PLAN**

Name of Grantee:
No. of Restricted Stock Units Granted:
Grant Date:

Pursuant to the iRobot Corporation 2005 Stock Option and Incentive Plan (the "Plan") as amended through the date hereof, iRobot Corporation (the "Company") hereby grants a Deferred Stock Award consisting of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each "Restricted Stock Unit" shall relate to one share of Common Stock, par value \$.01 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan.

1. Restrictions on Transfer of Award. The Award shall not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, until (i) the Restricted Stock Units have vested as provided in Section 2 of this Award Agreement, and (ii) shares have been issued pursuant to Section 4 of this Award Agreement.

2. Vesting of Restricted Stock Units. The Restricted Stock Units shall vest in accordance with the schedule set forth below, provided in each case that the Grantee is then, and since the Grant Date has continuously remained, in a service relationship (in the capacity of an employee, officer, director or consultant) with the Company or its Subsidiaries.

Incremental (Aggregate) Number of Restricted Stock Units Vested	Vesting Date
(25%)	
(50%)	
(75%)	
(100%)	

In the event of an Acquisition (as defined in the Plan) or a Change in Control (as defined in an Executive Agreement or Employment Agreement or similar agreement between the Company and the Grantee (the "Executive Agreement")), the treatment of the unvested Restricted Stock Units in connection with such Acquisition or Change in Control shall be governed by the Executive Agreement. To the extent that the Grantee is not a party to an Executive Agreement, in the event of an Acquisition the acquirer shall assume the Award and the terms of this Award Agreement taking into account any adjustment or substitution as provided in Section 3(d) of the Plan; provided, however, that if the Award and the terms of this Award Agreement are not so assumed, any Restricted Stock Units that remain unvested at the time of such Acquisition shall become fully vested at such time. The Administrator may at any time accelerate the vesting schedule specified in this Section 2.

3. Forfeiture. In the event the Grantee's service relationship with the Company and its Subsidiaries ceases prior to the applicable vesting dates, all Restricted Stock Units that have not previously been vested on such date shall be immediately forfeited to the Company.

4. Issuance of Shares of Stock; Rights as Stockholder.

(a) As soon as practicable following each vesting date, but in no event later than 30 days after each such vesting date, the Company shall direct its transfer agent to issue to the Grantee in book entry form the number of shares of Stock equal to the number of Restricted Stock Units credited to the Grantee that have vested pursuant to Section 2 of this Award Agreement on such date in satisfaction of such Restricted Stock Units. Such issuance may be effected by the Company directing its transfer agent to deposit such shares of Stock into the Grantee's brokerage account. The Grantee's cost basis in any shares of Stock issued hereunder shall be \$0.00.

(b) In each instance above, the issuance of shares of Stock shall be subject to the payment by the Grantee by cash or other means acceptable to the Company of any federal, state, local and other applicable taxes required to be withheld in connection with such issuance in accordance with Section 8 of this Award Agreement.

(c) The Grantee understands that (i) the Grantee shall have no rights with respect to the shares of Stock underlying the Restricted Stock Units, such as voting rights, dividend rights and dividend equivalent rights, unless and until such shares of Stock have been issued to the Grantee as specified in Section 4(a) hereof and (ii) once shares have been delivered by book entry to the Grantee in respect of the Restricted Stock Units, the Grantee will be free to sell such shares of Stock, subject to applicable requirements of federal and state securities laws and Company policy.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Award Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability of this Award Agreement. This Award Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. In the event the Company is required to withhold taxes from the Grantee for taxable compensation relating to the issuance of shares of Stock in connection with this Award, the Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Subject to approval by the Administrator, the Grantee may elect to have the required minimum tax withholding obligation satisfied, in whole or in part, by authorizing the Company to withhold from shares of Stock to be issued by the transfer agent, a number of shares of Stock with an aggregate Fair Market Value

that would satisfy the minimum withholding amount due. In the event that the Grantee does not satisfy his or her tax withholding obligation within five business days of being notified by the Company of such obligation, the Company shall, to the extent permitted by law, in its sole discretion, (i) have the right to deduct such taxes from any payment of any kind otherwise due to the Grantee or (ii) withhold from shares of Stock to be issued by the transfer agent, a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum withholding amount due.

8. No Obligation to Continue Employment Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Award Agreement to continue the Grantee in a service relationship with the Company or any Subsidiary and neither the Plan nor this Award Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate its service relationship with the Grantee at any time.

9. Arbitration. Any dispute, controversy, or claim arising out of, in connection with, or relating to the performance of this Award Agreement or its termination shall be settled by arbitration in the Commonwealth of Massachusetts, pursuant to the rules then obtaining of the American Arbitration Association. Any award shall be final, binding and conclusive upon the parties and a judgment rendered thereon may be entered in any court having jurisdiction thereof.

10. Miscellaneous.

(a) Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

(b) Entire Award; Modification. This Award Agreement constitutes the entire agreement between the parties relative to the subject matter hereof, and supersedes all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Award Agreement. This Award Agreement may be modified, amended or rescinded only by a written agreement executed by both parties.

(c) Severability. The invalidity, illegality or unenforceability of any provision of this Award Agreement shall in no way affect the validity, legality or enforceability of any other provision.

(d) Successors and Assigns. This Award Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the limitations set forth in Section 6 hereof.

(e) Governing Law. This Award Agreement shall be governed by and interpreted in accordance with the laws of the state of Delaware, without giving effect to the principles of the conflicts of laws thereof.

(f) Fractional Shares. All fractional shares resulting from the adjustment provisions or from the withholding of shares to satisfy tax withholding obligations, contained in this Award Agreement or in the Plan, shall be rounded down.

iROBOT CORPORATION

By: _____
Title:

The foregoing Award Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: _____

Grantee's Signature

Grantee's name and address:

Certifications

I, Colin M. Angle, certify that:

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

Date: August 1, 2007

/s/ COLIN M. ANGLE

Colin M. Angle
Chief Executive Officer

Certifications

I, Geoffrey P. Clear, certify that:

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

Date: August 1, 2007

/s/ GEOFFREY P. CLEAR

Geoffrey P. Clear
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of iRobot Corporation (the "Company") for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Colin M. Angle, the Chief Executive Officer of the Company and Geoffrey P. Clear, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

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

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

Dated August 1, 2007

/s/ COLIN M. ANGLE
Colin M. Angle
Chief Executive Officer

Dated August 1, 2007

/s/ GEOFFREY P. CLEAR
Geoffrey P. Clear
Chief Financial Officer