

IROBOT CORP
Form 10-Q
August 01, 2007

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**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.

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iROBOT CORPORATION
Consolidated Balance Sheets
(in thousands)

	June 30, 2007 (unaudited)	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.

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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	47,014	34,561	86,501	72,770
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	31,790	22,784	60,160	48,800
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	20,875	14,481	38,407	30,497
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	\$ (4,776)	\$ (1,777)	\$ (10,277)	\$ (4,694)
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	July 1,	June	July 1,
	30,	2006	30,	2006
	2007		2007	
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	 \$ 1,528	 \$ 551	 \$ 2,185	 \$ 1,038

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

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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	4,668	1,018
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	879	(69,611)
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	(869)	261
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	\$ 10,261	\$ 7,732

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.

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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.

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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.

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

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.

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(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
	(In thousands)			
Auction Rate Debt Securities	\$60,000	\$ 60,000	\$64,800	\$ 64,800

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

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(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:

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

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.

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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
	\$ 4,999	\$ 7,020

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	\$ 27,696

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.

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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:

	Three Months Ended		Six Months Ended	
	June	July 1,	June	July 1,
	30,	2006	30,	2006
	2007		2007	
	(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	\$ 2,421	\$ 1,757	\$ 2,421	\$ 1,757

(*) 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 o