INSULET CORP

FORM 10-Q
(Quarterly Report)

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Industry	Medical Equipment, Supplies & Distribution
Sector	Healthcare
Fiscal Year	12/31

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

Commission File Number 001-33462

INSULET CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**04-3523891**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
600 Technology Park Drive, Suite 200 Billerica, Massachusetts	**01821**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (978) 600-7000

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of November 2, 2016 , the registrant had 57,426,072 shares of common stock outstanding.

INSULET CORPORATION

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED

September 30, 2016

Table Of Contents

PART I. FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

INSULET CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	September 30, 2016	December 31, 2015
ASSETS	**(Unaudited)**	
Current Assets		
Cash and cash equivalents	**$ 215,402**	$ 122,672
Short-term investments (Note 5)	**67,293**	—
Accounts receivable, net (Note 9)	**38,548**	42,530
Inventories, net (Note 10)	**32,663**	12,024
Prepaid expenses and other current assets	**7,901**	4,283
Current assets of discontinued operations (Note 3)	**—**	9,252
Total current assets	**361,807**	190,761
Property and equipment, net (Note 2)	**50,911**	41,793
Other intangible assets, net (Note 11)	**651**	933
Goodwill	**39,730**	39,607
Other assets	**98**	76
Long-term assets of discontinued operations (Note 3)	**—**	1,956
Total assets	**$ 453,197**	$ 275,126
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 18,212**	$ 15,213
Accrued expenses and other current liabilities (Note 12)	**33,732**	36,744
Deferred revenue	**1,247**	2,361
Current portion of capital lease obligations (Note 7)	**1,061**	5,519
Current liabilities of discontinued operations (Note 3)	**—**	5,319
Total current liabilities	**54,252**	65,156
Capital lease obligations (Note 7)	**—**	269
Long-term debt, net (Note 6)	**328,962**	171,698
Other long-term liabilities	**4,888**	3,952
Total liabilities	**388,102**	241,075
Commitments and contingencies (Note 13)		
Stockholders' Equity		
Preferred stock, $.001 par value:		
Authorized: 5,000,000 shares at September 30, 2016 and December 31, 2015. Issued and outstanding: zero shares at September 30, 2016 and December 31, 2015.	**—**	—
Common stock, $.001 par value:		
Authorized: 100,000,000 shares at September 30, 2016 and December 31, 2015. Issued and outstanding: 57,418,432 and 56,954,830 shares at September 30, 2016 and December 31, 2015, respectively.	**57**	57
Additional paid-in capital	**736,730**	686,193
Accumulated other comprehensive loss	**(387)**	(654)
Accumulated deficit	**(671,305)**	(651,545)
Total stockholders' equity	**65,095**	34,051
Total liabilities and stockholders' equity	**$ 453,197**	$ 275,126

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except share and per share data)	**2016**	**2015**	**2016**	**2015**
Revenue	**$ 94,871**	$ 71,393	**$ 263,414**	$ 180,092
Cost of revenue	**39,230**	39,823	**113,265**	88,814
Gross profit	**55,641**	31,570	**150,149**	91,278
Operating expenses:				
Research and development	**13,734**	10,035	**39,676**	30,311
Sales and marketing	**22,147**	21,307	**69,119**	55,025
General and administrative	**17,342**	15,023	**47,923**	42,062
Total operating expenses	**53,223**	46,365	**156,718**	127,398
Operating income (loss)	**2,418**	(14,795)	**(6,569)**	(36,120)
Interest expense	**3,029**	3,167	**9,252**	9,567
Other income, net	**211**	21	**510**	76
Loss on extinguishment of long-term debt	**2,551**	—	**2,551**	—
Interest expense and other income, net	**(5,369)**	(3,146)	**(11,293)**	(9,491)
Loss from continuing operations before income taxes	**(2,951)**	(17,941)	**(17,862)**	(45,611)
Income tax expense (Note 15)	**66**	44	**195**	83
Net loss from continuing operations	**$ (3,017)**	$ (17,985)	**$ (18,057)**	$ (45,694)
Loss from discontinued operations, net of tax ($0 and $18 for the three months ended September 30, 2016 and 2015, respectively and $408 and $68 for the nine months ended September 30, 2016 and 2015, respectively)	**(64)**	(942)	**(1,703)**	(499)
Net loss	**$ (3,081)**	$ (18,927)	**$ (19,760)**	$ (46,193)
Net loss per share basic and diluted:				
Net loss from continuing operations per share	**$ (0.05)**	$ (0.32)	**$ (0.32)**	$ (0.81)
Net loss from discontinued operations per share	**$ —**	$ (0.02)	**$ (0.03)**	$ (0.01)
Weighted-average number of shares used in calculating net loss per share	**57,341,063**	56,898,281	**57,189,423**	56,735,944

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Net loss	**$ (3,081)**	$ (18,927)	**$ (19,760)**	$ (46,193)
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment, net of tax	**(102)**	(457)	**302**	(454)
Unrealized loss on available-for-sale securities	**(43)**	—	**(35)**	—
Total other comprehensive (loss) income, net of tax	**(145)**	(457)	**267**	(454)
Total comprehensive loss	**$ (3,226)**	$ (19,384)	**$ (19,493)**	$ (46,647)

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities		
Net loss	$ (19,760)	$ (46,193)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation and amortization	10,474	11,406
Non-cash interest expense	6,117	5,721
Stock-based compensation expense	16,850	13,852
Loss on extinguishment of long-term debt	2,551	—
Provision for bad debts	1,889	2,762
Other	139	—
Changes in operating assets and liabilities:		
Accounts receivable	2,994	5,286
Inventories	(21,287)	312
Prepaid expenses and other assets	(3,268)	42
Accounts payable, accrued expenses and other current liabilities	(632)	11,782
Deferred revenue	(982)	703
Other long-term liabilities	756	370
Net cash (used in) provided by operating activities	(4,159)	6,043
Cash flows from investing activities		
Purchases of property and equipment	(19,205)	(7,126)
Purchases of short-term investments	(76,241)	—
Receipts from the sale of short-term investments	8,905	—
Proceeds from divestiture of business, net (Note 3)	5,714	—
Acquisition of Canadian distribution business	—	(4,715)
Net cash used in investing activities	(80,827)	(11,841)
Cash flows from financing activities		
Principal payments of capital lease obligations	(4,727)	(4,283)
Proceeds from issuance of convertible notes, net of issuance costs	333,904	—
Repayment of convertible notes	(153,628)	—
Proceeds from issuance of common stock, net of offering costs	4,848	7,043
Payment of withholding taxes in connection with vesting of restricted stock units	(2,839)	(2,468)
Net cash provided by financing activities	177,558	292
Effect of exchange rate changes on cash	158	(220)
Net increase (decrease) in cash and cash equivalents	92,730	(5,726)
Cash and cash equivalents, beginning of period	122,672	151,193
Cash and cash equivalents, end of period	$ 215,402	$ 145,467
Non-cash investing and financing activities		
Purchases of property and equipment under capital lease	$ —	$ 5,721
Allocation to equity for conversion feature for issuance of convertible notes	$ 66,689	$ —
Allocation to equity for conversion feature for the repurchase of convertible notes	$ (32,865)	$ —

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

INSULET CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Nature of the Business

Insulet Corporation, the "Company," is primarily engaged in the development, manufacturing and sale of its proprietary Omnipod Insulin Management System (the “Omnipod System”), an innovative, discreet and easy-to-use insulin infusion system for people with insulin-dependent diabetes. The Omnipod System features a small, lightweight, self-adhesive disposable tubeless Omnipod device which is worn on the body for approximately three days at a time and its wireless companion, the handheld Personal Diabetes Manager ("PDM"). Conventional insulin pumps require people with insulin-dependent diabetes to learn to use, manage and wear a number of cumbersome components, including up to 42 inches of tubing. In contrast, the Omnipod System features only two discreet, easy-to-use devices that eliminate the need for a bulky pump, tubing and separate blood glucose meter, provides for virtually pain-free automated cannula insertion, communicates wirelessly and integrates a blood glucose meter.

The Company acquired Neighborhood Holdings, Inc. and its wholly-owned subsidiaries (collectively, “Neighborhood Diabetes”) in June 2011 . Through Neighborhood Diabetes, the Company provided customers with blood glucose testing supplies, traditional insulin pumps, pump supplies and pharmaceuticals and had the ability to process claims as either durable medical equipment or through pharmacy benefits. In February 2016, the Company sold Neighborhood Diabetes to Liberty Medical LLC ("Liberty Medical"). Additional information regarding the disposition and treatment of the Neighborhood Diabetes business as discontinued operations is provided in Note 3 to the consolidated financial statements included in this Form 10-Q.

Commercial sales of the Omnipod System began in the United States in 2005 . The Company sells the Omnipod System and other diabetes management supplies in the United States through direct sales to customers or through its distribution partners. The Omnipod System is currently available in multiple countries in Europe, Canada and Israel.

In addition to using the Pod for insulin delivery, the Company also partners with global pharmaceutical and biotechnology companies to tailor the Omnipod technology platform for the delivery of subcutaneous drugs across multiple therapeutic areas.

In July 2015, the Company executed an asset purchase agreement whereby it acquired the Canadian Omnipod distribution operations from GlaxoSmithKline ("GSK"). With the acquisition, the Company assumed all distribution, sales, marketing, training and support activities for the Omnipod system in Canada.

Note 2 . Summary of Significant Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles (“U.S. GAAP” or "GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016 , or for any other subsequent interim period.

The unaudited consolidated financial statements in this Quarterly Report on Form 10-Q should be read in conjunction with the Company’s consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 and the Company's audited consolidated financial statements, as recast to reflect Neighborhood Diabetes as discontinued operations, contained in our Current Report on Form 8-K filed with the SEC on September 6, 2016.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in the application of certain of its significant accounting policies that may materially affect the reported amounts of assets, liabilities, equity, revenue and expenses. The most significant estimates used in these financial statements include the valuation of stock-based compensation expense, acquired businesses, accounts receivable, inventories, goodwill, deferred revenue, equity instruments, convertible debt, the lives of property and equipment and

intangible assets, as well as warranty and doubtful accounts allowance reserve calculations. Actual results may differ from those estimates.

Foreign Currency Translation

For foreign operations, asset and liability accounts are translated at exchange rates as of the balance sheet date; income and expenses are translated using weighted average exchange rates for the reporting period. Resulting translation adjustments are reported in accumulated other comprehensive loss, a separate component of stockholders' equity. Gains and losses arising from transactions and translation of period-end balances denominated in currencies other than the functional currency, primarily the Canadian dollar, are included in other income, net, and were not material in the three and nine months ended September 30, 2016 and 2015 .

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For the purpose of the financial statement classification, the Company considers all highly-liquid investment instruments with original maturities of 90 days or less, when purchased, to be cash equivalents. Cash equivalents include money market mutual funds, corporate bonds, and certificates of deposit which are carried at their fair value. Outstanding letters of credit, related to security deposits for lease obligations, totaled $1.2 million as of September 30, 2016 and December 31, 2015 .

Investments

Investment securities consist of available-for-sale marketable securities and are carried at fair value with unrealized gains or losses included as a component of other comprehensive loss in shareholders' equity. Investments, exclusive of cash equivalents, with a stated maturity date of one year or less from the balance sheet date or that are expected to be used in current operations, are classified as short-term investments. Short-term investments include U.S. government and agency bonds, corporate bonds, and certificates of deposit.

The Company reviews investments for other-than-temporary impairment when the fair value of an investment is less than its amortized cost. If an available-for-sale security is other than temporarily impaired, the loss is charged to either earnings or shareholders' equity depending on the Company's intent and ability to retain the security until the full cost basis can be recovered.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the respective assets. Leasehold improvements are amortized over their useful life or the life of the lease, whichever is shorter. Assets acquired under capital leases are amortized in accordance with the respective class of owned assets and the amortization is included with depreciation expense. Maintenance and repair costs are expensed as incurred.

Property and equipment included $38.3 million and $28.2 million of accumulated depreciation as of September 30, 2016 and December 31, 2015 , respectively.

Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value of identifiable net assets acquired. The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification (“ASC”) 350-20, *Intangibles - Goodwill and Other* (“ASC 350-20”). The Company performs an assessment of its goodwill for impairment on at least an annual basis or whenever events or changes in circumstances indicate there might be impairment. The Company's annual impairment test date is October 1st.

As the Company operates in one segment, the Company has considered whether that segment contains multiple reporting units. The Company has concluded that there is a single reporting unit as the Company does not have segment managers and discrete financial information below consolidated results is not reviewed on a regular basis. Based on this conclusion, goodwill is tested for impairment at the enterprise level. The Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of its sole reporting unit is less than its carrying amount. This qualitative analysis is used as a basis for determining whether it is necessary to perform the two-step goodwill impairment analysis. If the Company determines that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step compares the carrying value of the reporting unit to its fair value using a discounted cash flow analysis. If the reporting unit’s carrying value exceeds its fair value, the Company would record an impairment loss to the extent that the carrying value of goodwill

exceeds its implied fair value. There was no impairment of goodwill during the three and nine months ended September 30, 2016 and 2015 .

Revenue Recognition

The Company generates most of its revenue from global sales of the Omnipod System. Revenue also includes sales of devices based on the Omnipod technology platform to global pharmaceutical and biotechnology companies for the delivery of subcutaneous drugs across multiple therapeutic areas.

Revenue recognition requires that persuasive evidence of a sales arrangement exists, delivery of goods occurs through transfer of title and risk and rewards of ownership, the selling price is fixed or determinable and collectability is reasonably assured. With respect to these criteria:

- The evidence of an arrangement generally consists of a physician order form, a patient information form and, if applicable, third-party insurance approval for sales directly to patients or a purchase order for sales to a third-party distributor.
- Transfer of title and risk and rewards of ownership are passed to the patient or third-party distributor upon shipment of the products.
- The selling prices for all sales are fixed and agreed with the patient or third-party distributor and, if applicable, the patient's third-party insurance provider(s) prior to shipment and are based on established list prices or, in the case of certain third-party insurers, contractually agreed upon prices. Provisions for discounts, rebates and other adjustments to customers are established as a reduction to revenue in the same period the related sales are recorded.

The Company offers a 45 -day right of return for sales of its Omnipod System to patients in the United States, and a 90 -day right of return for sales of its Omnipod System to patients in Canada, and defers revenue to reflect estimated sales returns in the same period that the related product sales are recorded. Returns are estimated through a comparison of the Company's historical return data to its related sales. Historical rates of return are adjusted for known or expected changes in the marketplace. When doubt exists about reasonable assuredness of collectability from specific customers, the Company defers revenue from sales of products to those customers until payment is received.

As of September 30, 2016 and December 31, 2015 , the Company had deferred revenue of $1.8 million and $2.5 million , respectively, which included $0.5 million and $0.2 million classified in other long-term liabilities in each period as of September 30, 2016 and December 31, 2015 , respectively. Deferred revenue primarily relates to undelivered elements within certain of the Company's developmental arrangements and other instances where the Company has not yet met the revenue recognition criteria.

Shipping and Handling Costs

The Company does not typically charge its customers for shipping and handling costs associated with shipping its product to its customers. These shipping and handling costs are included in general and administrative expenses and were $1.1 million and $0.6 million for the three months ended September 30, 2016 and 2015 , respectively and were $2.8 million and $1.6 million for the nine months ended September 30, 2016 and 2015 , respectively.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash and cash equivalents, short term investments and accounts receivable. The Company maintains the majority of its cash and short term investments with one financial institution.

The Company purchases Omnipods from Flextronics International Ltd., its single source supplier. As of September 30, 2016 and December 31, 2015 , liabilities to this vendor represented approximately 29% and 28% of the combined balance of accounts payable, accrued expenses and other current liabilities, respectively.

Revenue for customers comprising more than 10% of total revenue were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Amgen, Inc.	17%	10%	17%	10%
Ypsomed Distribution AG	16%	15%	15%	11%
RGH Enterprises, Inc.	10%	14%	10%	13%

Reclassification of Prior Period Balance

Certain reclassifications have been made to prior periods amounts to conform to the current period financial statement presentation including adjusting footnotes within to reflect the presentation of discontinued operations. These reclassifications have no effect on the previously reported net loss.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 requires that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Under this guidance, a company makes additional estimates regarding performance conditions and the allocation of variable consideration. The guidance is effective in fiscal years beginning January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of ASU 2014-09. The Company has not yet selected a transition method nor has it determined the effect of the standard on its consolidated financial position and results of operations.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation - Stock Compensation (Topic 718), Accounting for Share-Based Payments when the terms of an award provide that a performance target could be achieved after the requisite service period* ("ASU 2014-12"). ASU 2014-12 clarifies the period over which compensation cost would be recognized in awards with a performance target that affects vesting and that could be achieved after the requisite service period. Compensation cost would be recognized over the required service period, if it is probable that the performance condition will be achieved. The guidance is effective in fiscal years beginning after January 1, 2016, with early adoption permitted. The Company has adopted ASU 2014-12 on January 1, 2016 and its adoption did not have an impact on the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements- Going Concern ("ASU 2014-15").* ASU No. 2014-15 requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The new standard is effective for fiscal years ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The Company has concluded that if this standard had been adopted as of September 30, 2016 , substantial doubt about the Company's ability to continue as a going concern would not exist.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 amends existing guidance and requires entities to measure most inventory at the lower of cost and net realizable value. The guidance is effective prospectively for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. Upon adoption, entities must disclose the nature of and reason for the accounting change. The Company is currently evaluating the impact of ASU 2015-11.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations, Simplifying the Accounting for Measurement Period Adjustments* ("ASU 2015-16"). ASU 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective in 2016 for calendar year-end public entities. Early adoption is permitted. The Company has adopted ASU 2015-16 on January 1, 2016 and its adoption did not have an impact on the consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01 ("ASU 2016-01"), *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* . ASU 2016-01 changes the current GAAP model for the accounting of equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. All equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification (changes in fair value reported in other comprehensive income (loss)) for equity securities with readily determinable fair values. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The classification and measurement guidance will be effective in fiscal years beginning after December 15, 2017, and interim periods within those years. The Company is currently evaluating the impact of ASU 2016-01.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The

guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-02.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-09.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* ("ASU 2016-15") . ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-15.

Other Significant Policies:

The following table identifies the Company's other significant accounting policies and the note and page where a detailed description of each policy can be found.

Note 3 . Discontinued Operations

In February 2016, the Company sold Neighborhood Diabetes to Liberty Medical for approximately $6.2 million in cash, which included $1.2 million of closing adjustments finalized in June 2016 and paid by Liberty Medical. The results of operations, assets, and liabilities of Neighborhood Diabetes, are classified as discontinued operations for all periods presented, except for certain corporate overhead costs which remain in continuing operations.

In connection with the 2016 disposition, the Company entered into a transition services agreement pursuant to which Insulet is providing various services to Liberty Medical on an interim transitional basis. The services generally commenced on the closing date and terminated six months following the closing. Services provided by Insulet included certain information technology and back office support. The charges for such services were generally intended to allow the service provider to recover all out-of-pocket costs. Billings by Insulet under the transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the consolidated statements of operations. This transitional support is to provide Liberty Medical the time required to establish its stand-alone processes for such activities that were previously provided by Insulet as described above and does not constitute significant continuing support of Liberty Medical's operations. Total expenses incurred for such transition services, which were reimbursed in full, were $0.1 million and $0.8 million for the three and nine months ended September 30, 2016 .

Following the disposition, the Company entered into a distribution agreement with the Neighborhood Diabetes subsidiary of Liberty Medical to continue to act as a distributor for the Company's products. For the three months ended September 30, 2016 and 2015 , revenue from continued operations as presented in the consolidated statement of operations include $0 million and $0.8 million , respectively. Omnipod sales transacted through Neighborhood Diabetes prior to the divestiture that were previously eliminated in consolidation were $0.3 million and $2.0 million for the nine months ended September 30, 2016 and 2015 , respectively. These amounts were historically reported in the Neighborhood Diabetes revenue results and are being presented based on current market terms of products sold to the Neighborhood Diabetes subsidiary of Liberty Medical.

Post divestiture, Omnipod sales to the Neighborhood Diabetes subsidiary of Liberty Medical were $0 million and $0.4 million for the three and nine months ended September 30, 2016 , respectively.

The following is a summary of the operating results of Neighborhood Diabetes included in discontinued operations for the three and nine months ended September 30, 2016 and 2015 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Discontinued operations:				
Revenue [1]	**$ —**	$ 15,910	**$ 7,730**	$ 44,014
Cost of revenue	**133**	11,829	**5,502**	32,459
Gross profit	**(133)**	4,081	**2,228**	11,555
Operating expenses:				
Sales and marketing	**—**	2,887	**1,542**	8,381
General and administrative	**(69)**	2,133	**1,853**	3,779
Total operating expenses	**(69)**	5,020	**3,395**	12,160
Interest and other income (expense), net	**—**	15	**(128)**	174
Loss from discontinued operations before taxes	**(64)**	(924)	**(1,295)**	(431)
Income tax expense	**—**	18	**408**	68
Net loss from discontinued operations	**$ (64)**	$ (942)	**$ (1,703)**	$ (499)

[1] Revenue for the nine months ended September 30, 2016 includes revenue from the operations of Neighborhood Diabetes through date of sale in February 2016.

Depreciation and amortization expense included in discontinued operations was $0 million and $0.8 million for the three months ended September 30, 2016 and 2015, respectively. Depreciation and amortization expense included in discontinued operations was $0.1 million and $2.6 million for the nine months ended September 30, 2016 and 2015, respectively.

The following is a summary of the Neighborhood Diabetes assets and liabilities presented as discontinued operations as of December 31, 2015:

(in thousands)	December 31, 2015
ASSETS	
Accounts receivable, net	$ 5,857
Inventories, net	2,019
Prepaid expenses and other current assets	1,376
Total current assets of discontinued operations	9,252
Intangible assets, net	1,788
Goodwill	140
Other non-current assets	28
Total long-term assets of discontinued operations	1,956
Total assets of discontinued operations	$ 11,208
LIABILITIES	
Accounts payable	$ 3,436
Accrued expenses and other current liabilities	1,883
Current liabilities of discontinued operations	5,319
Total liabilities of discontinued operations	$ 5,319

Net operating cash flows provided by discontinued operations in the three months ended September 30, 2016 and 2015 , were $0 million and $4.1 million , respectively. Net operating cash flows (used in) provided by discontinued operations in the nine months ended September 30, 2016 and 2015 were $(2.0) million and $3.2 million , respectively.

Note 4 . Fair Value Measurements

The Company adopted the FASB Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures* (“ASC 820”) related to the fair value measurement of certain of its assets and liabilities. ASC 820 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. When estimating fair value, depending on the nature and complexity of the asset or liability, the Company may use one or all of the following approaches:

- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets less an allowance for functional and/or economic obsolescence.
- Income approach, which is based on the present value of the future stream of net cash flows.

To measure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, as described in ASC 820, of which the first two are considered observable and the last unobservable:

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — observable inputs other than quoted prices in active markets for identical assets or liabilities

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions

Certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities are carried at cost, which approximates their fair value because of the short-term maturity of these financial instruments.

The following table provides a summary of assets that are measured at fair value as of September 30, 2016 , and December 31, 2015 , aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
September 30, 2016				
Recurring fair value measurements:				
Cash equivalents:				
Money market mutual funds	**$ 200,355**	**$ 200,355**	**$ —**	**$ —**
Corporate bonds	**1,900**	**—**	**1,900**	**—**
Certificates of deposit	**445**	**445**	**—**	**—**
Total cash equivalents	**$ 202,700**	**$ 200,800**	**$ 1,900**	**$ —**
Short-term investments:				
U.S. government and agency bonds	**$ 29,032**	**$ 15,018**	**$ 14,014**	**$ —**
Corporate bonds	**25,540**	**—**	**25,540**	**—**
Certificates of deposit	**12,721**	**12,721**	**—**	**—**
Total short-term investments	**$ 67,293**	**$ 27,739**	**$ 39,554**	**$ —**
December 31, 2015				
Recurring fair value measurements:				
Cash equivalents:				
Money market mutual funds	$ 98,223	$ 98,223	$ —	$ —
Non-recurring fair value measurements:				
Long-term assets of discontinued operations [1]	$ 1,788	$ —	$ —	$ 1,788

[1] Long-term assets of discontinued operations relate to the asset group of the Neighborhood Diabetes business which consists of definite lived intangible assets and property and equipment. During the fourth quarter of 2015, the Company recognized an impairment charge on this asset group totaling $9.1 million , which represented the difference between the fair value of the asset group and the carrying value. As a result of the impairment, the asset group was recorded at fair value as of December 31, 2015. The fair value for the asset group was determined using the direct cash flows expected to be received from the disposition of the asset group, which was completed in February 2016 (level 3 input).

Debt

The estimated fair value of debt is based on the Level 2 quoted market prices for the same or similar issues and includes the impact of the conversion features.

The carrying amounts, net of unamortized discounts and issuance costs, and the estimated fair values of the Company's convertible debt as of September 30, 2016 , and December 31, 2015 , are as follows (in thousands):

	September 30, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
2% Convertible Senior Notes	**$ 59,058**	**$ 73,832**	$ 171,698	$ 207,882
1.25% Convertible Senior Notes	**$ 269,904**	**$ 339,163**	$ —	$ —

Note 5. Short-term Investments

The Company's short-term investments are classified as available-for-sale and amortized costs, gross unrealized holding gains and losses, and fair values at September 30, 2016 are as follows (in thousands):

	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2016				
U.S. government and agency bonds	$ 29,036	$ 2	$ (6)	$ 29,032
Corporate bonds	25,571	—	(31)	25,540
Certificates of deposit	12,721	—	—	12,721
Total short-term investments	$ 67,328	$ 2	$ (37)	$ 67,293

The Company had no short-term investments at December 31, 2015.

Note 6 . Debt

The following table shows the gross and net carrying amount of the Company's convertible debt (in thousands):

	September 30, 2016	December 31, 2015
Principal amount of the 2% Convertible Senior Notes	**$ 67,084**	$ 201,250
Principal amount of the 1.25% Convertible Senior Notes	**345,000**	—
Unamortized debt discount	**(73,148)**	(25,704)
Deferred financing costs	**(9,974)**	(3,848)
Long-term debt, net carrying amount	**$ 328,962**	$ 171,698

Interest expense related to the 2% Notes and the 1.25% Notes was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Contractual coupon interest	**$ 1,041**	$ 1,007	**$ 3,054**	$ 3,019
Amortization of debt discount	**1,901**	1,650	**5,330**	4,876
Amortization of debt issuance costs	**222**	281	**785**	844
Total interest expense from the Notes	**$ 3,164**	$ 2,938	**$ 9,169**	$ 8,739

3.75% Convertible Senior Notes

In June 2011 , the Company sold $143.8 million in principal amount of 3.75% Convertible Senior Notes due June 15, 2016 (the "3.75% Notes"). The interest rate on the notes was 3.75% per annum, payable semi-annually in arrears in cash on December 15 and June 15 of each year. The 3.75% Notes were convertible into the Company’s common stock at an initial conversion rate of 38.1749 shares of common stock per $1,000 principal amount of the 3.75% Notes, which was equivalent to a conversion price of approximately $26.20 per share.

In connection with the issuance of the 3.75% Notes, the Company repurchased $70 million in principal amount of its 5.375% Convertible Senior Notes due June 15, 2013 (the "5.375% Notes") for $85.1 million , a 21.5% premium on the principal amount. The investors that held the $70 million in principal amount of repurchased 5.375% Notes purchased $59.5 million in principal amount of the 3.75% Notes and retained approximately $13.5 million in principal amount of the remaining 5.375% Notes. These investors’ combined $73.0 million in principal amount of convertible debt ($13.5 million of 5.375% Notes and $59.5 million of 3.75% Notes) was considered to be a modification of a portion of the 5.375% Notes and was accounted for separately from the issuance of the remainder of the 3.75% Notes.

The Company recorded a total debt discount of $25.8 million related to the modified debt. This discount consisted of $10.5 million related to the remaining debt discount on the $70 million in principal amount of 5.375% Notes repurchased, $15.1 million related to the premium payment in connection with the repurchase and $0.2 million related to the increase in the value of the conversion feature. The total debt discount was being amortized as non-cash interest expense at the effective rate of 16.5% over the five year term of the modified debt. Additionally, the Company paid transaction fees of approximately $2.0 million related to the modification, which were recorded as interest and other expense at the time of the modification.

Of the $143.8 million in principal amount of 3.75% Notes issued in June 2011, $84.3 million in principal amount was considered to be an issuance of new debt. The Company recorded a debt discount of $26.6 million related to the $84.3 million in principal amount of 3.75% Notes. The debt discount was recorded as additional paid-in capital to reflect the value of its nonconvertible debt borrowing rate of 12.4% per annum and was being amortized as non-cash interest expense over the five year term of the 3.75% Notes. The Company incurred deferred financing costs related to this offering of approximately $2.8 million , of which $0.9 million has been reclassified as an offset to the value of the amount allocated to equity. The remainder was recorded as other assets in the consolidated balance sheet and was being amortized as non-cash interest expense over the five year term of the 3.75% Notes.

In June 2014, in connection with the issuance of $201.3 million in principal amount of 2% Convertible Senior Notes due June 15, 2019 (the "2% Notes"), the Company repurchased approximately $114.9 million in principal amount of the 3.75% Notes for $160.7 million , a premium of $45.8 million over the principal amount. Investors that held approximately $80.0 million of 3.75% Notes purchased approximately $98.2 million in principal amount of the 2% Notes. The repurchase of the 3.75% Notes was treated as an extinguishment of debt since the fair value of the conversion feature changed by more than 10%. The extinguishment of the 3.75% Notes was accounted for separately from the issuance of the 2% Notes. The $160.7 million paid to extinguish the debt was allocated to debt and equity based on their respective fair values immediately prior to the transaction. The Company allocated $112.4 million of the payment to the debt and $48.3 million to equity.

The 3.75% Notes were convertible at the option of the holder during the quarter ended June 30, 2014 since the last reported sales price per share of the Company's common stock was equal to or greater than 130% of the conversion price for at least 20 of the 30 trading days ended on March 31, 2014. The 3.75% Notes and any unpaid interest were convertible at the Company's option for cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock.

Beginning on June 20, 2014 , the Company had the right to redeem the 3.75% Notes, at its option, in whole or in part, if the last reported sale price per share of the Company's common stock was at least 130% of the conversion price then in effect for at least 20 trading days during a period of 30 consecutive trading days. In June 2014, the Company met the redemption requirements and notified holders of its intent to redeem the outstanding $28.8 million in principal amount of 3.75% Notes in July 2014. Prior to the redemption date, holders of $28.5 million in principal amount of 3.75% Notes exercised their right to convert their outstanding 3.75% Notes. The Company settled this conversion of the 3.75% Notes in July 2014 by providing cash of $28.5 million for the principal amount of the outstanding 3.75% Notes converted and issuing 348,535 shares of common stock for the conversion premium totaling $12.6 million , for a total consideration paid of $41.1 million . The Company settled the redemption of the remaining $0.3 million in principal amount in exchange for a cash payment of $0.3 million representing principal and accrued and unpaid interest. The Company allocated $27.9 million of the total consideration paid to the debt and $13.5 million to equity.

The Company recorded a loss on extinguishment of debt of $23.2 million in connection with the repurchase and redemption of the 3.75% Notes during the year ended December 31, 2014, representing the excess of the $140.3 million allocated to the debt over its carrying value, net of deferred financing costs.

Certain features related to a portion of the 3.75% Notes, including the holders' ability to require the Company to repurchase their notes and the higher interest payments required in an event of default, were considered embedded derivatives and were required to be bifurcated and accounted for at fair value. The Company assessed the value of these embedded derivatives at each balance sheet date.

As of December 31, 2014, no amounts remain outstanding related to the 3.75% Notes.

2% Convertible Senior Notes

In June 2014, the Company sold $201.3 million in principal amount of the 2% Notes due June 15, 2019 . The interest rate on the notes is 2% per annum, payable semi-annually in arrears in cash on June 15 and December 15 of each year. The 2% Notes are convertible into the Company's common stock at an initial conversion rate of 21.5019 shares of common stock per $1,000 principal amount of the 2% Notes, which is equivalent to a conversion price of approximately $46.51 per share, subject to adjustment under certain circumstances.

The Company recorded a debt discount of $35.6 million related to the 2% Notes. The debt discount was recorded as additional paid-in capital to reflect the value of the Company's nonconvertible debt borrowing rate of 6.2% per annum. This debt discount is being amortized as non-cash interest expense over the five year term of the 2% Notes. The Company incurred deferred financing costs related to this offering of approximately $6.7 million , of which $1.2 million has been reclassified as an offset to the value of the amount allocated to equity. The remainder is recorded as a reduction to debt in the consolidated balance sheet and is being amortized as non-cash interest expense over the five year term of the 2% Notes.

In September 2016, in connection with the issuance of $345 million in principal amount of 1.25% Convertible Senior Notes due September 2021 (the "1.25% Notes"), the Company repurchased approximately $134.2 million in principal amount of the 2% Notes for $153.6 million (excluding accrued interest of $0.7 million). The extinguishment of the 2% Notes was accounted for separately from the issuance of the 1.25% Notes as both transactions were viewed as arm's-length in nature and were not contingent upon one another. The $153.6 million paid to extinguish the debt was allocated to debt and equity based on their respective fair values immediately prior to the transaction. The fair value of the debt was estimated using a trinomial lattice model based on the following inputs: Company's stock price, expected volatility, term to maturity, risk-free interest rate, and dividend yield. The Company allocated $121.4 million of the payment to the debt and $32.9 million to equity.

The Company recorded a loss on extinguishment of debt of $2.6 million in connection with the repurchase and redemption of the 2% Notes during the three and nine months ended September 30, 2016, representing the excess of the $121.4 million allocated to the debt over its carrying value, net of unamortized debt discount, deferred financing costs and accrued interest.

The 2% Notes contain provisions that allow for additional interest to the holders of the Notes upon the failure to timely file documents or reports that the Company is required to file with the SEC. The additional interest is at a rate of 0.25% per annum of the principal amount of the notes outstanding for the first 180 days and 0.50% per annum of the principal amount of the notes outstanding for a period up to 360 days.

If the Company is purchased by a company outside of the U.S., then additional taxes may be required to be paid by the Company under the terms of the 2% Notes.

The Company determined that the higher interest and tax payments required in certain circumstances are considered embedded derivatives and should be bifurcated and accounted for at fair value. The Company assesses the value of the embedded derivatives at each balance sheet date. The derivatives had de minimis value at the balance sheet date.

Cash interest expense related to the 2% Notes was $ 0.9 million and $ 1.0 million in the three months ended September 30, 2016 and 2015 , respectively. Cash interest expense related to the 2% Notes was $ 2.9 million and $ 3.0 million in the nine months ended September 30, 2016 and 2015 , respectively.

Non-cash interest expense related to the 2% Notes was $ 1.6 million and $1.9 million in the three months ended September 30, 2016 and 2015 , respectively. Non-cash interest expense related to the 2% Notes was $ 5.6 million and $ 5.7 million in the nine months ended September 30, 2016 and 2015 , respectively.

As of September 30, 2016 and December 31, 2015 , the Company included $59.1 million and $171.7 million , respectively, on its balance sheet in long-term debt related to the 2% Notes.

1.25% Convertible Senior Notes

In September 2016, the Company sold $345.0 million in principal amount of the 1.25% Notes, which mature on September 15, 2021. The interest rate on the notes is 1.25% per annum, payable semi-annually in arrears in cash on March 15 and September 15 of each year. Interest began accruing on September 13, 2016; the first interest payment is due on March 15, 2017. The 1.25% Notes are convertible into the Company's common stock at an initial conversion rate of 17.1332 shares of common stock per $1,000 principal amount of the 1.25% Notes, which is equivalent to a conversion price of approximately $58.37 per share, subject to adjustment under certain circumstances. The 1.25% Notes will be convertible prior to the close of business on the business day immediately preceding June 15, 2021 only under certain circumstances and during certain periods, and will be convertible on or after June 15, 2021 until the close of business on the second scheduled trading day immediately preceding September 15, 2021, regardless of those circumstances.

The Company recorded a debt discount of $ 66.7 million related to the 1.25% Notes which results from allocating a portion of the proceeds to the fair value of the conversion feature. The fair value of the debt discount was estimated using a trinomial lattice model based on the following inputs: Company's stock price, expected volatility, term to maturity, risk-free interest rate, and dividend yield. The debt discount was recorded as additional paid-in capital and the remaining liability reflects the value of the Company's nonconvertible debt borrowing rate of 5.8% per annum. This debt discount is being amortized as non-cash interest expense over the five year term of the 1.25% Notes. The Company incurred debt

issuance costs and other expenses related to this offering of approximately $11.1 million , of which $2.1 million has been reclassified as a reduction to the value of the amount allocated to equity. The remainder is presented as a reduction of debt in the consolidated balance sheet, is being amortized using the effective interest method, and is recorded as non-cash interest expense over the five year term of the 1.25% Notes.

The 1.25% Notes contain provisions that allow for additional interest to holders of the Notes upon failure to timely file documents or reports that the Company is required to file with the SEC. The additional interest is at a rate of 0.50% per annum of the principal amounts of the notes outstanding for a period of 360 days.

If the Company merges or consolidates with a foreign entity, then additional taxes may be required to be paid by the Company under the terms of the 1.25% Notes.

The Company determined that the higher interest payments required and tax payments required in certain circumstances are considered embedded derivatives and should be bifurcated and accounted for at fair value. The Company assesses the value of the embedded derivatives at each balance sheet date. The derivatives had de minimis value at the balance sheet date.

Cash interest expense related to the 1.25% Notes was $0.2 million in the three and nine month periods ended September 30, 2016. Non-cash interest expense related to the 1.25% Notes was $ 0.5 million in the three and nine month periods ended September 30, 2016.

As of September 30, 2016 , the Company included $269.9 million on its balance sheet in long-term debt related to the 1.25% Notes.

Note 7 . Capital Lease Obligations

As of September 30, 2016 , and December 31, 2015 , the Company has approximately $13.7 million of manufacturing equipment acquired under capital leases, included in property and equipment. As of September 30, 2016 , one capital lease remains outstanding and is being repaid in equal monthly installments over a 24 month term and includes principal and interest payments with an effective interest rate of 13% .

The assets acquired under capital leases are being amortized on a straight-line basis over five years in accordance with the Company's policy for depreciation of manufacturing equipment. Amortization expense on assets acquired under capital leases is included with depreciation expense. Amortization expense related to these capital leased assets was $0.7 million and $0.6 million in the three months ended September 30, 2016 and 2015 , respectively. Amortization expense was $2.1 million and $1.7 million in the nine months ended September 30, 2016 and 2015 , respectively.

Assets purchased under capital leases and held consist of the following (in thousands):

	September 30, 2016	December 31, 2015
Manufacturing equipment	**$ 13,705**	$ 13,705
Less: Accumulated amortization	**(6,401)**	(4,346)
Total	**$ 7,304**	$ 9,359

The aggregate future minimum lease payments related to the capital lease as of September 30, 2016 , are as follows (in thousands):

Years Ending December 31,	Minimum Lease Payments
2016 (remaining)	$ 808
2017	269
Total future minimum lease payments	$ 1,077
Interest expense	16
Total capital lease obligations	$ 1,061

The Company recorded $0.1 million and $0.3 million of interest expense on capital leases in the three months ended September 30, 2016 and 2015 , respectively. The Company recorded $0.3 million and $1.0 million of interest expense on capital leases in the nine months ended September 30, 2016 and 2015 , respectively.

Note 8. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period, excluding unvested restricted common shares. Diluted net loss per share is computed using the weighted average number of common shares outstanding and, when dilutive, potential common share equivalents from options, restricted stock units and warrants (using the treasury-stock method), and potential common shares from convertible securities (using the if-converted method). Because the Company reported a net loss for the three and nine months ended September 30, 2016 and 2015 , all potential dilutive common shares have been excluded from the computation of the diluted net loss per share for all periods presented, as the effect would have been anti-dilutive.

Potential dilutive common share equivalents consist of the following:

	Three and Nine Months Ended September 30,	
	2016	**2015**
2.00% Convertible Senior Notes	**1,442,433**	4,327,257
1.25% Convertible Senior Notes	**5,910,954**	—
Unvested restricted stock units	**971,814**	862,044
Outstanding options	**3,541,936**	2,959,320
Total dilutive common share equivalents	**11,867,137**	8,148,621

Note 9 . Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due from distributors, third-party payors, patients, and government agencies. The Company records an allowance for doubtful accounts at the time potential collection risk is identified. The Company estimates its allowance based on historical experience, assessment of specific risk, discussions with individual customers or various assumptions and estimates that are believed to be reasonable under the circumstances. The Company believes the reserve is adequate to mitigate current collection risk.

Customers that represented greater than 10% of accounts receivable as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	**December 31, 2015**
Amgen, Inc.	**29%**	22%
Ypsomed Distribution AG	**15%**	19%

The components of accounts receivable from continuing operations are as follows (in thousands):

	September 30, 2016	**December 31, 2015**
Trade receivables, gross	**$ 42,391**	$ 46,668
Allowance for doubtful accounts	**(3,843)**	(4,138)
Total accounts receivable, net	**$ 38,548**	$ 42,530

Note 10 . Inventories

Inventories are held at the lower of cost or market, determined under the first-in, first-out method, and include the costs of material, labor and overhead. Inventory has been recorded at cost, or net realizable value as appropriate, as of September 30, 2016 and December 31, 2015 . The Company reviews inventories for net realizable value based on quantities on hand and expectations of future use. Work in process is calculated based upon a buildup in the stage of completion using estimated labor inputs for each stage in production.

The components of inventories from continuing operations are as follows (in thousands):

	September 30, 2016	**December 31, 2015**
Raw materials	**$ 1,477**	$ 632
Work-in-process	**5,508**	1,960
Finished goods, net	**25,678**	9,432
Total inventories	**$ 32,663**	$ 12,024

Note 11 . Other Intangible Assets

The Company's finite-lived intangible assets are stated at cost less accumulated amortization. The Company assesses its intangible and other long-lived assets for impairment whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable. The Company recognizes an impairment loss for intangibles and other finite-lived assets if the carrying amount of a long-lived asset is not recoverable based on its undiscounted future cash flows. Any such impairment loss is measured as the difference between the carrying amount and the fair value of the asset. The estimation of useful lives and expected cash flows requires the Company to make significant judgments regarding future periods that are subject to some factors outside its control. Changes in these estimates can result in significant revisions to the carrying value of these assets and may result in material charges to the results of operations.

The Company recorded $32.9 million of other intangible assets as a result of the acquisition of Neighborhood Diabetes in 2011. In December 2015, the Company completed a long-lived asset impairment test for Neighborhood Diabetes and determined that the carrying value of the long-lived asset group, which included intangible assets, exceeded the undiscounted cash flows expected to be generated from the asset group. The Company compared the fair value of the intangible assets and the related asset group, which was estimated based on the subsequent sales price of the asset group as of February 2016. An impairment charge of $9.0 million was recorded within general and administrative expenses for the year ended December 31, 2015. The impairment charge was allocated on a pro-rata basis based on the carrying value of the assets within the asset group. As a result, impairment charges of approximately $7.4 million and $1.6 million , respectively, were recorded on the customer relationship and tradename intangible assets. During the three months ended March 31, 2016, the remaining balance of the other intangible assets associated with the acquisition of Neighborhood Diabetes were removed from the balance sheet as part of the divestiture and included in the calculated loss of disposal. No further impairment was recorded upon the sale.

The Company recorded $2.1 million of other intangible assets in 2015 as a result of the July 2015 acquisition of its Canadian distribution business. The Company determined that the estimated useful life of the contractual relationship asset is 5 years and is amortizing the asset based on the expected cash flows of the assets.

The components of other intangible assets are as follows (in thousands):

	September 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Contractual relationships, net	**$ 2,039**	**$ (1,388)**	**$ 651**	$ 1,933	$ (1,000)	$ 933
Total intangible assets	**$ 2,039**	**$ (1,388)**	**$ 651**	$ 1,933	$ (1,000)	$ 933

Amortization expense for intangible assets, excluding discontinued operations, was approximately $ 0.1 million and $0.3 million for the three and nine months ended September 30, 2016 , respectively. Amortization expense for intangible assets, excluding discontinued operations, was approximately $0.5 million and $0.5 million for the three and nine months ended September 30, 2015 , respectively. Amortization expense is recorded in general and administrative expenses in the consolidated statements of operations.

Amortization expense expected for the next five years and thereafter is as follows (in thousands):

Years Ending December 31,	Contractual Relationships
2016 (remaining)	$ 111
2017	185
2018	158
2019	132
2020	65
Thereafter	—
Total	$ 651

As of September 30, 2016 , the weighted average amortization period of the Company's intangible assets is approximately 4.25 years .

Note 12 . Accrued Expenses and Other Current Liabilities

The components of accrued expenses and other current liabilities are as follows (in thousands):

	September 30, 2016	December 31, 2015
Employee compensation and related items	**19,529**	16,856
Professional and consulting services	**5,958**	5,654
Suppliers	**643**	4,981
Other	**7,602**	9,253
Total accrued expenses and other current liabilities	**$ 33,732**	$ 36,744

Product Warranty Costs

The Company provides a four -year warranty on its PDMs sold in the United States and a five year warranty on its PDMs sold in Canada and may replace any Omnipods that do not function in accordance with product specifications. The Company estimates its warranty at the time the product is shipped based on historical experience and the estimated cost to service the claims. Warranty expense is recorded in cost of goods sold on the statement of operations. As these estimates are based on historical experience, and the Company continues to introduce new products and versions, the Company also considers the anticipated performance of the product over its warranty period in estimating warranty reserves.

A reconciliation of the changes in the Company's product warranty liability is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Balance at the beginning of the period	**$ 4,294**	$ 3,167	**$ 4,152**	$ 2,614
Warranty expense	**1,149**	1,579	**3,288**	3,300
Warranty claims settled	**(1,101)**	(992)	**(3,098)**	(2,160)
Balance at the end of the period	**$ 4,342**	$ 3,754	**$ 4,342**	$ 3,754

The composition of the product warranty liability balance is reported on the consolidated balance sheets in accrued expenses and other current liabilities and other long-term liabilities as follows (in thousands):

	September 30, 2016	December 31, 2015
Composition of balance:		
Short-term	**$ 1,640**	$ 1,592
Long-term	**2,702**	2,560
	$ 4,342	$ 4,152

Note 13 . Commitments and Contingencies

Operating Leases

The Company leases its facilities in Massachusetts, California, Canada and Singapore. The Company's leases are accounted for as operating leases. The leases generally provide for a base rent plus real estate taxes and certain operating expenses related to the leases.

Certain of the Company's operating lease agreements contain scheduled rent increases. Rent expense is recorded using the straight-line method and deferred rent is included in other current and long-term liabilities in the accompanying balance sheets. The Company has considered FASB ASC 840-20, *Leases* in accounting for these lease provisions.

The aggregate future minimum lease payments related to these leases as of September 30, 2016 , are as follows (in thousands):

Years Ending December 31,	Minimum Lease Payments
2016 (remaining)	$ 624
2017	2,449
2018	2,383
2019	2,390
2020	2,383
Thereafter	4,515
Total	$ 14,744

Legal Proceedings

The Company is in the process of responding to a revised audit report received in December 2015 on behalf of the Centers for Medicare and Medicaid Services and the State of New York alleging overpayment of certain Medicaid claims to Neighborhood Diabetes. As of December 31, 2015, the Company had determined that it was probable that a loss had been incurred and recorded an aggregate liability of $0.4 million through general and administrative expense, which was reduced to $0.3 million during the three months ended September 30, 2016. The change in the liability was recorded in discontinued operations.

In May 2016, the Company reached a settlement agreement for $0.5 million with the Connecticut Department of Social Services Office of Quality Assurance relating to an audit alleging overpayment of certain Medicaid claims to Neighborhood Diabetes. The settlement amount for this audit was consistent with the amount previously accrued.

In April 2016, the Company reached a settlement agreement for $0.5 million with the Massachusetts Department of Revenue for sales and use tax audits related to Insulet Corporation, which resulted in a $0.2 million reduction of the previously recorded liability and a credit to general and administrative expenses during the three months ending March 31, 2016.

Between May 5, 2015 and June 16, 2015 , three class action lawsuits were filed by shareholders in the U.S. District Court, Massachusetts, against the Company and certain individual current and former executives of the Company. Two suits subsequently were voluntarily dismissed. *Arkansas Teacher Retirement System v. Insulet, et al.* , 1:15-cv-12345, which remains outstanding, alleges that the Company (and certain executives) committed violations of Sections 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 by making allegedly false and misleading statements about the Company's business, operations, and prospects. The lawsuit seeks, among other things, compensatory damages in connection with the Company's allegedly inflated stock price between May 7, 2013 and April 30, 2015, as well as attorneys' fees and costs. Due in part to the preliminary nature of this matter, the Company currently cannot reasonably estimate a possible loss, or range of loss, in connection with this matter.

The Company is, from time to time, involved in the normal course of business in various legal proceedings, including intellectual property, contract employment and product liability suits. Although the Company is unable to quantify the exact financial impact of any of these matters, the Company believes that none of these currently pending matters will have an outcome material to its financial condition or business.

Note 14 . Equity

The Company accounts for stock-based compensation under the provisions of FASB ASC 718-10, *Compensation — Stock Compensation* ("ASC 718-10"), which requires all share-based payments to employees, including grants of employee stock options and restricted stock units, to be recognized in the income statement based on their fair values. Share-based payments that contain performance conditions are recognized when such conditions are probable of being achieved.

The Company uses the Black-Scholes option pricing model to determine the weighted-average fair value of options granted and determines the intrinsic value of restricted stock units based on the closing price of its common stock on the date of grant. The Company recognizes the compensation expense of share-based awards on a straight-line basis for awards with only service conditions and on an accelerated method for awards with performance conditions. Compensation expense is recognized over the vesting period of the awards.

The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by the stock price and the following assumptions, including expected volatility, expected life of the awards, the risk-free interest rate, and the dividend yield. The expected volatility is computed over expected terms based upon the historical volatility of the Company's stock. The expected life of the awards is estimated based on the midpoint scenario, which

combines historical exercise data with hypothetical exercise data for outstanding options. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of the awards. The dividend yield assumption is based on Company history and an expectation of paying no dividends. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense recognized in the financial statements is based on awards that are ultimately expected to vest. The Company evaluates the assumptions used to value the awards on a quarterly basis and if factors change and different assumptions are utilized, stock-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

Stock-based compensation expense related to share-based awards recognized in the three months ended September 30, 2016 and 2015 was $6.1 million and $4.2 million , respectively, based upon when the awards are ultimately expected to vest. Stock-based compensation expense related to the share-based awards recognized in the nine months ended September 30, 2016 and 2015 was $16.9 million and $13.8 million , respectively, and was also calculated based on when the awards are ultimately expected to vest.

At September 30, 2016 , the Company had $47.0 million of total unrecognized compensation expense related to unvested stock options and restricted stock units.

Stock Options

In May 2007, in conjunction with the Company's initial public offering, the Company adopted its 2007 Stock Option and Incentive Plan (the "2007 Plan"). The 2007 Plan was amended and restated in November 2008, May 2012 and May 2015 to provide for the issuance of additional shares and to amend certain other provisions. Under the 2007 Plan, awards may be granted to persons who are, at the time of grant, employees, officers, non-employee directors or key persons (including consultants and prospective employees) of the Company. The 2007 Plan provides for the granting of stock options, restricted stock units, stock appreciation rights, deferred stock awards, restricted stock, unrestricted stock, cash-based awards, performance share awards or dividend equivalent rights. Options granted under the 2007 Plan generally vest over a period of four years and expire ten years from the date of grant. As of September 30, 2016 , 4,404,847 shares remain available for future issuance under the 2007 Plan.

The Company awarded 194,500 shares of incentive stock options in 2015 and an additional 55,000 shares of incentive stock options during the nine months ended September 30, 2016 that include vesting periods that may be accelerated. The stock options were granted under the 2007 Plan and vest over a four year period from the grant date with the potential of an accelerated vesting period pursuant to the achievement of certain performance conditions. Performance awards are amortized over the service period using an accelerated attribution method.

The following summarizes the activity under the Company’s stock option plans in the nine months ended September 30, 2016 :

	Number of Options (#)	Weighted Average Exercise Price ($)	Aggregate Intrinsic Value ($)
			(In thousands)
Balance, December 31, 2015	2,999,199	$ 31.37	
Granted	967,918	$ 31.32	
Exercised [1]	(226,296)	$ 19.54	$ 4,440
Canceled	(198,885)	$ 32.60	
Balance, September 30, 2016	3,541,936	$ 32.05	$ 32,243
Vested, September 30, 2016 [2]	1,347,219	$ 31.63	$ 12,837
Vested and expected to vest, September 30, 2016 [2][3]	3,230,071		$ 29,427

[1] The aggregate intrinsic value was calculated based on the positive difference between the pre-tax fair value of the Company’s common stock as of the date of exercise and the exercise price of the underlying options.

[2] The aggregate intrinsic value was calculated based on the positive pre-tax difference between the closing price of the Company’s common stock as of September 30, 2016 , and the exercise price of the underlying options.

[3] Represents the number of vested options as of September 30, 2016 , plus the number of unvested options expected to vest as of September 30, 2016 , based on the unvested options outstanding at September 30, 2016 , adjusted for the estimated forfeiture.

At September 30, 2016 there were 3,541,936 options outstanding with a weighted average exercise price of $32.05 and a weighted average remaining contractual life of 8.3 years . At September 30, 2016 there were 1,347,219 options exercisable with a weighted average exercise price of $31.63 and a weighted average remaining contractual life of 7.4 years.

Employee stock-based compensation expense related to stock options in the three months ended September 30, 2016 and 2015 was $2.6 million and $2.0 million , respectively, and was based on awards ultimately expected to vest. Employee stock-based compensation expense related to stock options in the nine months ended September 30, 2016 and 2015 was $7.4 million and $7.0 million , respectively, and was based on awards ultimately expected to vest. At September 30, 2016 , the Company had $22.3 million of total unrecognized compensation expense related to stock options that will be recognized over a weighted average vesting period of 2.6 years.

Restricted Stock Units

In the nine months ended September 30, 2016 , the Company awarded 581,777 restricted stock units to certain employees and non-employee members of the Board of Directors, which included 153,992 restricted stock units subject to the achievement of performance conditions (performance-based restricted stock units). The number of performance-based restricted stock units granted during the nine months ended September 30, 2016 that are expected to vest may vary based on the Company's quarterly evaluation of the probability of the performance criteria being achieved. The Company recognized stock compensation expense of $0.9 million and $2.0 million in the three and nine months ended September 30, 2016 for performance-based restricted stock units that are expected to vest based on its evaluation of the performance criteria at September 30, 2016. The Company recognized stock compensation expense of $0.4 million and $0.4 million in the three and nine months ended September 30, 2015 for performance-based restricted stock units. Performance awards are amortized over the service period using an accelerated attribution method. The restricted stock units were granted under the 2007 Plan and vest over a three year period from the grant date.

The restricted stock units granted during the nine months ended September 30, 2016 have a weighted average fair value of $29.69 per share based on the closing price of the Company’s common stock on the date of grant and were valued at approximately $17.3 million on their grant date. The Company is recognizing the compensation expense over the vesting period. Approximately $2.6 million and $1.7 million in the three months ended September 30, 2016 and 2015 and $7.3 million and $6.3 million in the nine months ended September 30, 2016 and 2015 of stock-based compensation expense related to the vesting of non-performance based restricted stock units was recognized using the straight line method. Approximately $24.7 million of the fair value of the restricted stock units, including performance-based restricted stock units remained unrecognized as of September 30, 2016 and will be recognized over a weighted average period of 2 year. Under the terms of the awards, the Company will issue shares of common stock on each of the vesting dates.

The following table summarizes the status of the Company’s restricted stock units in the nine months ended September 30, 2016 :

	Number of Shares (#)	Weighted Average Grant Date Fair Value ($)
Balance, December 31, 2015	811,965	$ 32.30
Granted	581,777	29.69
Vested	(309,024)	30.73
Forfeited	(112,904)	33.23
Balance, September 30, 2016	971,814	$ 31.14

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (“ESPP”) authorizes the issuance of up to a total of 380,000 shares of common stock to participating employees. The Company will make one or more offerings each year to eligible employees to purchase stock under the ESPP. Between January 1, 2008 and June 30, 2016, offering periods began on the first business day occurring on or after each January 1 and July 1 and ended on the last business day occurring on or before the following June 30 and December 31, respectively. Beginning as of July 1, 2016, an offering period will begin on the first business day occurring on or after each December 1 and June 1 and will end on the last business day occurring on or before the following May 31 and November 30, respectively. In order to permit a transition to the new offering cycle, a one-time offering period began on July 1, 2016 and will end on November 30, 2016.

Each employee who is a participant in the Company’s ESPP may purchase up to a maximum of 800 shares per offering period or $25,000 per year by authorizing payroll deductions of up to 10% of his or her base salary. Unless the

participating employee withdraws from the offering period, his or her accumulated payroll deductions will be used to purchase common stock.

For all offering periods ending on or before June 30, 2016, the purchase price for each share purchased was 85% of the fair market value of the common stock on the last day of the offering period. For all offering periods beginning on or after July 1, 2016, the purchase price for each share purchased will be 85% of the lower of (i) the fair market value of the common stock on the first day of the offering period or (ii) the fair market value of the common stock on the last day of the offering period.

As of September 30, 2016 , the Company had no shares contingently issued under the ESPP. The Company recorded approximately $0.1 million of stock-based compensation expense in the three months ended September 30, 2016 and approximately $0.1 million of stock-based compensation expense in the nine months ended September 30, 2016 related to the ESPP. In the three and nine months ended September 30, 2015, the Company recorded no significant stock-based compensation charges related to the ESPP.

Note 15 . Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that will be in effect in the years in which the differences are expected to reverse. The Company reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, and the expected timing of the reversals of existing temporary differences and tax planning strategies. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company follows the provisions of FASB ASC 740-10, *Income Taxes* (“ASC 740-10”) on accounting for uncertainty in income taxes recognized in its financial statements. ASC 740-10 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. In addition, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes estimated interest and penalties for uncertain tax positions in income tax expense.

The Company files federal, state and foreign tax returns. These returns are generally open to examination by the relevant tax authorities from three to four years from the date they are filed. The tax filings relating to the Company's federal and state tax returns are currently open to examination for tax years 2013 through 2015 and 2010 through 2015, respectively. In addition, the Company has generated tax losses since its inception in 2000. These years may be subject to examination if the losses are carried forward and utilized in future years.

At September 30, 2016 and December 31, 2015 , the Company provided a valuation allowance for the full amount of its net deferred tax asset because it is not more likely than not that the future tax benefit will be realized.

Income tax expense from continuing operations consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Current	**$ 71**	$ 44	**$ 283**	$ 83
Deferred	**(5)**	—	**(88)**	—
Income tax expense	**$ 66**	$ 44	**$ 195**	$ 83

Income tax expense from discontinued operations was not significant in the three months ended September 30, 2016 and 2015. Income tax expense from discontinued operations was $ 0.4 million and $ 0.1 million in the nine months ended September 30, 2016 and 2015, respectively.

The Company has generated deferred tax liabilities related to its amortization of acquired goodwill for tax purposes because the goodwill is not amortized for financial reporting purposes. The tax amortization gives rise to a temporary difference and a tax liability, which will only reverse at the time of ultimate disposition or impairment of the underlying goodwill. Due to the uncertain timing of this reversal, the temporary difference cannot be considered as a source of future taxable income for purposes of determining a valuation allowance; therefore, the tax liability cannot be used to offset deferred tax assets.

The Company had no unrecognized tax benefits at September 30, 2016 .

16 . Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision-maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance of the segment. The Company has concluded that their Chief Executive Officer is the CODM as he is the ultimate decision maker for key operating decisions, determining the allocation of resources and assessing the financial performance of the Company. These decisions, allocations and assessments are performed by the CODM using consolidated financial information. Consolidated financial information is utilized by the CODM as the Company's current product offering primarily consists of the Omnipod System and drug delivery. The Company's products are relatively consistent and manufacturing is centralized and consistent across product offerings. Based on these factors, key operating decisions and resource allocations are made by the CODM using consolidated financial data and as such the Company has concluded that they operate as one segment.

Worldwide revenue for the Company's products is categorized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
U.S. Omnipod	**$ 59,641**	$ 50,738	**$ 166,691**	$ 135,835
International Omnipod	**19,107**	13,570	**51,046**	24,990
Drug Delivery	**16,123**	7,085	**45,677**	19,267
Total	**$ 94,871**	$ 71,393	**$ 263,414**	$ 180,092

Geographic information about revenue, based on the region of the customer's shipping location, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
United States	**$ 75,764**	$ 57,823	**$ 212,368**	$ 155,102
All other	**19,107**	13,570	**51,046**	24,990
Total	**$ 94,871**	$ 71,393	**$ 263,414**	$ 180,092

Geographic information about long-lived assets, net, excluding goodwill and other intangible assets is as follows (in thousands):

	September 30, 2016	**December 31, 2015**
United States	**$ 25,431**	$ 13,018
China	**25,477**	28,638
Other	**101**	213
Total	**$ 51,009**	$ 41,869

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

FORWARD-LOOKING STATEMENTS

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and the accompanying condensed notes to those financial statements included in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements.

These risks and uncertainties include, but are not limited to:

- risks associated with our dependence on our principal product, the Omnipod System;
- fluctuations in quarterly results of operations;
- our ability to sustain or reduce production costs and increase customer orders and manufacturing volumes;
- adverse changes in general economic conditions;
- impact of healthcare reform laws;
- our inability to raise additional funds in the future on acceptable terms or at all;
- potential supply problems or price fluctuations with sole source or third-party suppliers on which we are dependent;
- the potential establishment of a competitive bid program;
- failure to retain supplier pricing discounts and achieve satisfactory gross margins;
- failure to retain key supplier and payor partners;
- international business risks;
- our inability to secure and retain adequate coverage or reimbursement for the Omnipod System by third-party payors and potential adverse changes in reimbursement rates or policies relating to the Omnipod System;
- failure to retain key payor partners and their members;
- failure to retain and manage successfully our Medicare and Medicaid business;
- potential adverse effects resulting from competition;
- reliance on information technology systems and our ability to control related risks, including a cyber-attack or other breach or disruption of these systems;
- technological breakthroughs and innovations adversely affecting our business, and our own new product development initiatives may prove to be ineffective or not commercially successful;
- potential termination of our license to incorporate a blood glucose meter into the Omnipod System, or our inability to enter into new license agreements;
- challenges to the further development of our non-insulin drug delivery business;
- our ability to protect our intellectual property and other proprietary rights; conflicts with the intellectual property of third-parties, including claims that our current or future products infringe or misappropriate the proprietary rights of others;
- adverse regulatory or legal actions relating to the Omnipod System;
- our products and operations are subject to extensive government regulation, which could restrict our ability to carry on or expand our operations;
- failure of our contract manufacturers or component suppliers to comply with the FDA’s quality system regulations;
- potential adverse impact resulting from a recall, or discovery of serious safety issues, of our products;

- the potential violation of federal or state laws prohibiting “kickbacks” or protecting the confidentiality of patient health information, or any challenge to or investigation into our practices under these laws;
- product liability lawsuits that may be brought against us;
- reduced retention rates of our customer base;
- unfavorable results of clinical studies relating to the Omnipod System or the products of our competitors;
- potential future publication of articles or announcement of positions by diabetes associations or other organizations that are unfavorable to the Omnipod System;
- the concentration of substantially all of our manufacturing operations at a single location in China and substantially all of our inventory at a single location in Massachusetts;
- our ability to attract and retain personnel;
- our ability to manage our growth;
- risks associated with potential future acquisitions or investments in new businesses;
- our ability to generate sufficient cash to service all of our indebtedness;
- the expansion of our distribution network;
- our ability to successfully maintain effective internal control over financial reporting;
- the volatility of the price of our common stock;
- risks related to future sales of our common stock or the conversion of any of our 2% Convertible Senior Notes due June 15, 2019 and 1.25% Convertible Senior Notes due September 15, 2021;
- potential indemnification obligations in connection with the disposition of our former Neighborhood Diabetes supplies business;
- potential limitations on our ability to use our net operating loss carryforwards; and
- anti-takeover provisions in our organizational documents.

The factors discussed above are not intended to be a complete statement of all risks and uncertainties and should be evaluated with all other risks described in our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on February 29, 2016 in the section entitled “Risk Factors,” and in our other filings from time to time with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements.

Executive Level Overview

We are primarily engaged in the development, manufacturing and sale of our proprietary Omnipod System, an innovative, discreet and easy-to-use continuous insulin delivery system for people with insulin-dependent diabetes. The Omnipod System features a small, lightweight, self-adhesive disposable tubeless Omnipod device which is worn on the body for approximately three days at a time and its wireless companion, the handheld PDM. Conventional insulin pumps require people with insulin-dependent diabetes to learn to use, manage and wear a number of cumbersome components, including up to 42 inches of tubing. In contrast, the Omnipod System features only two discreet, easy-to-use devices that eliminate the need for a bulky pump, tubing and separate blood glucose meter, provides for virtually pain-free automated cannula insertion, communicates wirelessly and integrates a blood glucose meter. We believe that the Omnipod System’s unique proprietary design and features allow people with insulin-dependent diabetes to manage their diabetes with unprecedented freedom, comfort, convenience, and ease.

We began commercial sale of the Omnipod System in the United States in 2005. We sell the Omnipod System and other diabetes management supplies in the United States through direct sales to customers or through our distribution partners. The Omnipod System is currently available in multiple countries in Europe, Canada and Israel. In July 2015, we executed an asset purchase agreement with GSK whereby we acquired assets associated with the Canadian distribution of our products and we assumed the distribution, sales, marketing, training and support activities for the Omnipod system in Canada.

In addition to using the Pod for insulin delivery, we also partner with global pharmaceutical and biotechnology companies to tailor the Omnipod technology platform for the delivery of subcutaneous drugs across multiple therapeutic areas.

In June 2011, we acquired Neighborhood Diabetes. Through Neighborhood Diabetes, we provided customers with blood glucose testing supplies, traditional insulin pumps, pump supplies and pharmaceuticals and had the ability to process claims as either durable medical equipment or through pharmacy benefits. In February 2016, we sold Neighborhood Diabetes to Liberty Medical. Additional information regarding the disposition and treatment of our Neighborhood Diabetes business as discontinued operations is provided in note 3 to the consolidated financial statements included in this Form 10-Q.

Third Quarter 2016 Revenue Results:

- Total revenue of $ 94.9 million
  - U.S. Omnipod revenue of $ 59.6 million
  - International Omnipod revenue of $ 19.1 million
  - Drug Delivery revenue of $ 16.1 million

Our long-term financial objective is to achieve and sustain profitable growth. Our efforts in 2016 are focused primarily on the global expansion of our customer base and increasing our operating performance. Achieving these objectives is requiring additional investments in certain personnel and initiatives, as well as enhancements to our manufacturing efficiency and effectiveness. We may continue to incur net losses in the near term in order to achieve these objectives. However, we believe the accomplishment of our near-term objectives will have a positive impact on our financial condition in the future.

Components of Financial Operations

Revenue. We derive most of our revenue from global sales of the Omnipod System. Our revenue also includes sales of devices based on the Omnipod technology platform to global pharmaceutical and biotechnology companies for the delivery of subcutaneous drugs across multiple therapeutic areas.

Cost of revenue. Cost of revenue consists primarily of raw material, labor, warranty, inventory reserve and overhead costs such as freight-in and depreciation and the cost of products we acquire from third party suppliers.

Research and development. Research and development expenses consist primarily of personnel costs and outside services within our product development, regulatory and clinical functions and product development projects. We generally expense research and development costs as incurred.

Sales and marketing. Sales and marketing expenses consist primarily of personnel costs within our sales, marketing, reimbursement support, customer care and training functions, sales commissions paid to our sales representatives, costs associated with promotional activities and participation in industry trade shows.

General and administrative. General and administrative expenses consist primarily of salaries and other related costs for personnel serving the executive, finance, legal, information technology and human resource functions, as well as legal fees, accounting fees, insurance costs, bad debt expenses, shipping, handling and facilities-related costs.

Results of Operations

This section discusses our consolidated results of operations for the third quarter and the first nine months of 2016 compared to the same periods of 2015 , and should be read in conjunction with the consolidated financial statements and accompanying condensed notes included in this Form 10-Q.

TABLE 1: RESULTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
(In Thousands)	**2016**	**2015**	**Change $**	**Change %**	**2016**	**2015**	**Change $**	**Change %**
Revenue:								
U.S. Omnipod	**$ 59,641**	$ 50,738	$ 8,903	18 %	**$ 166,691**	$ 135,835	$ 30,856	23 %
International Omnipod	**19,107**	13,570	5,537	41 %	**51,046**	24,990	26,056	104 %
Drug Delivery	**16,123**	7,085	9,038	128 %	**45,677**	19,267	26,410	137 %
Total revenue	**94,871**	71,393	23,478	33 %	**263,414**	180,092	83,322	46 %
Cost of revenue	**39,230**	39,823	(593)	(1)%	**113,265**	88,814	24,451	28 %
Gross profit	**55,641**	31,570	24,071	76 %	**150,149**	91,278	58,871	64 %
Gross margin	**58.6%**	44.2%			**57.0%**	50.7%		
Operating expenses:								
Research and development	**13,734**	10,035	3,699	37 %	**39,676**	30,311	9,365	31 %
Sales and marketing	**22,147**	21,307	840	4 %	**69,119**	55,025	14,094	26 %
General and administrative	**17,342**	15,023	2,319	15 %	**47,923**	42,062	5,861	14 %
Total operating expenses	**53,223**	46,365	6,858	15 %	**156,718**	127,398	29,320	23 %
Operating income (loss)	**2,418**	(14,795)	(17,213)	(116)%	**(6,569)**	(36,120)	(29,551)	(82)%
Interest expense and other income, net	**(5,369)**	(3,146)	2,223	71 %	**(11,293)**	(9,491)	1,802	19 %
Income tax expense	**66**	44	22	50 %	**195**	83	112	135 %
Loss from discontinued operations, net of tax	**(64)**	(942)	(878)	(93)%	**(1,703)**	(499)	1,204	241 %
Net loss	**$ (3,081)**	$ (18,927)	$ (15,846)	(84)%	**$ (19,760)**	$ (46,193)	$ (26,433)	(57)%

Revenue

Our total revenue increased to $ 94.9 million , up $ 23.5 million , or 33% , in the third quarter of 2016 compared to the third quarter of 2015, due to strong growth in our U.S. Omnipod revenue, International Omnipod revenue and our on-body injection device for drug delivery. Our U.S. Omnipod revenue increased primarily due to growth in our installed base of Omnipod users which was driven by the expansion in 2015 of our sales force and customer support personnel and strategic initiatives introduced in mid-2015 to expand awareness of the Omnipod System. Our International Omnipod revenue increased primarily due to growth in distributor sales from continued adoption in existing markets and to a lesser extent from entry into new markets. Our drug delivery revenue increased due to strong growth in demand for our drug delivery device following regulatory approval in December 2014.

Total revenue increased to $ 263.4 million , up $ 83.3 million , or 46% for the nine months ended September 30, 2016 , compared with the same period in 2015, primarily due to strong growth in our U.S. Omnipod revenue, International Omnipod revenue and our on-body injection device for drug delivery. Our U.S. Omnipod revenue increased primarily due to growth in our installed base of Omnipod users which was greatly driven by the expansion in 2015 of our sales force and customer support personnel and strategic initiatives introduced in mid-2015 to expand awareness of the Omnipod System. The results for the first nine months of 2015 also were partially impacted by unfavorable distributor ordering patterns in the first quarter of 2015 which stabilized thereafter. Our International Omnipod revenue increased primarily due to growth in distributor sales from continued adoption in existing markets and to a lesser extent from entry into new markets. The results for the first nine months of 2015 included lower International Omnipod sales which partially resulted from unfavorable distributor ordering patterns in the first and second quarters of 2015 which stabilized thereafter. Our drug delivery revenue increased due to strong growth in demand for our drug delivery device following regulatory approval in December 2014.

For the year ending December 31, 2016, we expect strong revenue growth, compared to 2015, across all of our product lines as we continue our expansion in the U.S. and internationally. We expect strong growth of approximately 20% in our worldwide Omnipod installed base. We also expect that the revenue from our drug delivery devices will be a higher relative percentage of our overall growth in 2016, as compared to 2015, as we increase commercial sales.

Cost of Revenue

Cost of revenue decreased to $ 39.2 million , down $ 0.6 million in the third quarter of 2016 compared to the same period in 2015, due to approximately $7.7 million of costs incurred during the third quarter of 2015, considered non-recurring in nature, associated with certain product which ultimately did not meet our quality expectations, along with manufacturing efficiency and effectiveness improvements made in 2016. This decrease was partially offset by an increase in sales volumes.

Total cost of revenue increased to $ 113.3 million , up $ 24.5 million for the nine months ended September 30, 2016 , compared to the same period in 2015, primarily due to an increase in sales volumes, partially offset by $10.2 million of costs incurred during the first nine months of 2015 that were considered non-recurring in nature, along with manufacturing efficiency and effectiveness improvements made in 2016.

Gross Margin

Gross margin was approximately 59% in the third quarter of 2016, compared with 44% in the third quarter of 2015. The margin improvement was mainly due to $7.7 million of costs in the third quarter of 2015 that were considered non-recurring in nature along with manufacturing efficiency and effectiveness improvements made in 2016.

Gross margin for the nine months ended September 30, 2016 was 57% compared with 51% for the nine months ended September 30, 2015 . The margin improvement was mainly due to $10.2 million of costs in the first nine months of 2015 that were considered non-recurring in nature along with manufacturing efficiency and effectiveness improvements made in 2016.

For the year ending December 31, 2016, we expect gross margin to increase compared to 2015 primarily due to $10.2 million of costs incurred in the first nine months of 2015 that were considered non-recurring in nature along with improvements to our manufacturing efficiency and effectiveness as demonstrated in the first nine months of 2016.

Research and Development

Research and development expenses for the three month period ended September 30, 2016 were $ 13.7 million compared with $ 10.0 million for the same period in 2015. The approximate $ 3.7 million increase was the result of expenses related to our development projects, including our artificial pancreas program, mobile application development including interaction with continuous glucose monitoring technology, development efforts with Eli Lilly and Company for the use of concentrated insulin for patients with higher insulin-resistance and other Omnipod product improvement initiatives.

Research and development expenses for the nine months ended September 30, 2016 , were $ 39.7 million compared with $ 30.3 million for the same period in 2015. The approximate $ 9.4 million increase was the result of expenses related to our development projects, including our artificial pancreas program, mobile application development including interaction with continuous glucose monitoring technology, development efforts with Eli Lilly and Company for the use of concentrated insulin for patients with higher insulin-resistance and other Omnipod product improvement initiatives.

For the year ending December 31, 2016, we expect overall research and development spending to increase due to the development efforts on our on-going projects including our artificial pancreas program, mobile application development including interaction with continuous glucose monitoring technology, development efforts with Eli Lilly and Company for the use of concentrated insulin, and the continued investment to support the use our technology as a delivery platform for other pharmaceuticals.

Sales and Marketing

Sales and marketing expenses for the three month period ended September 30, 2016 were $ 22.1 million compared with $ 21.3 million for the same period in 2015. The approximate $ 0.8 million increase was mainly the result of a $1.4 million increase in personnel-related expenses, including increased incentive compensation costs on growth in the business, as well as costs associated with the expansion in 2015 of our sales force and customer support personnel, partially offset by a reduction in expenses associated with outside service providers.

Sales and marketing expenses for the nine months ended September 30, 2016 were $ 69.1 million compared to $ 55.0 million for the same period in 2015 . The approximate $ 14.1 million increase was mainly the result of a $14.5 million increase in personnel-related expenses, including increased incentive compensation costs resulting from growth in the business, as well as costs associated with the expansion in 2015 of our sales force and customer support personnel, partially offset by a reduction in expenses associated with outside service providers. Additionally, there was an increase in costs associated with marketing efforts, new market opportunities and other strategic initiatives introduced in mid-2015 as we continue to expand awareness of the Omnipod System and our on-body injection devices for delivery of other pharmaceuticals.

We expect sales and marketing expenses in the year ending December 31, 2016 to increase as we see the full-year impact of the 2015 commercial team expansion and invest in initiatives that will enhance awareness, customer satisfaction and drive increased adoption of the Omnipod System, as well as increased adoption of our technology as a delivery platform for other pharmaceuticals.

General and Administrative

General and administrative expenses for the three month period ended September 30, 2016 were $ 17.3 million compared with $ 15.0 million for the same period in 2015. The approximate $ 2.3 million increase was primarily attributable to personnel-related costs on higher incentive compensation associated with growth in our business, as well as additional staff to support our growth expectations and fees paid for external consultants.

General and administrative expenses for the nine months ended September 30, 2016 were $ 47.9 million compared to $ 42.1 million for the same period in 2015 . The approximate $ 5.9 million increase was mainly due to employee compensation costs and fees paid for external consultants.

For the year ending December 31, 2016, we expect overall general and administrative expenses to increase as compared to 2015 as we continue to grow the business and make investments in our operating structure to support this continued growth.

Interest Expense and Other Income, Net

Interest expense and other income, net for the three month period ended September 30, 2016 , were $ 5.4 million compared with $ 3.1 million for the same period in 2015. The approximate $ 2.2 million increase was mainly due to a $2.6 million charge recorded for the extinguishment of debt related to the repurchase of $134.2 million in principal of the 2% Notes. This was partially offset from a slight decrease in capital lease interest expense.

Interest and other expense for the nine months ended September 30, 2016 , were $ 11.3 million compared to $ 9.5 million in 2015 . The approximate $ 1.8 million increase was mainly due to a $2.6 million charge recorded for the extinguishment of debt related to the repurchase of $134.2 million in principal of the 2% Notes. This was partially offset from a slight decrease in capital lease interest expense.

Liquidity and Capital Resources

As of September 30, 2016 , we had $215.4 million in cash and cash equivalents and $67.3 million in short-term investments. We believe that our current liquidity, together with the cash expected to be generated from sales, will be sufficient to meet our projected operating and debt service requirements for at least the next twelve months.

Debt

In September 2016, we sold $345.0 million in principal amount of the 1.25% Notes, which mature on September 15, 2021. The interest rate on the notes is 1.25% per annum, payable semi-annually in arrears in cash on March 15 and September 15 of each year. Interest began accruing on September 13, 2016; the first interest payment is due on March 15, 2017. The 1.25% Notes are convertible into our common stock at an initial conversion rate of 17.1332 shares of common stock per $1,000 principal amount of the 1.25% Notes, which is equivalent to a conversion price of approximately $58.37 per share, subject to adjustment under certain circumstances. The 1.25% Notes will be convertible prior to the close of business on the business day immediately preceding June 15, 2021 only under certain circumstances and during certain periods, and will be convertible on or after June 15, 2021 until the close of business on the second scheduled trading day immediately preceding September 15, 2021, regardless of those circumstances.

Cash interest expense related to the 1.25% Notes was $0.2 million in the three and nine month periods ended September 30, 2016. Non-cash interest expense related to the 1.25% Notes was $ 0.5 million in the three and nine month periods ended September 30, 2016.

In June 2014 , we sold $201.3 million in principal amount of 2% Convertible Senior Notes due June 15, 2019 (the "2% Notes"). The interest rate on the notes is 2% per annum, payable semi-annually in arrears in cash on June 15 and December 15 of each year. The 2% Notes are convertible into our common stock at an initial conversion rate of 21.5019 shares of common stock per $1,000 principal amount of the 2% Notes, which is equivalent to a conversion price of approximately $46.51 per share , subject to adjustment under certain circumstances.

In September 2016, in connection with the issuance of $345.0 million in principal amount of 1.25% Convertible Senior Notes due September 2021 discussed above, we repurchased approximately $134.2 million in principal amount of the 2% Notes for $153.6 million (excluding accrued interest of $0.7 million). The extinguishment of the 2% Notes was accounted for separately from the issuance of the 1.25% Notes as both transactions were viewed as arm's-length in nature and were not contingent upon one another. The $154.3 million paid to extinguish the debt was allocated to debt and equity based on their respective fair values immediately prior to the transaction. We allocated $121.4 million of the payment to the debt and $32.9 million to equity.

Cash interest expense related to the 2% Notes was $ 0.9 million and $ 1.0 million in the three months ended September 30, 2016 and 2015 , respectively. Cash interest expense related to the 2% Notes was $ 2.9 million and $ 3.0 million in the nine months ended September 30, 2016 and 2015 , respectively.

Non-cash interest expense related to the 2% Notes was $ 1.6 million and $1.9 million in the three months ended September 30, 2016 and 2015 , respectively. Non-cash interest expense related to the 2% Notes was $ 5.6 million and $ 5.7 million in the nine months ended September 30, 2016 and 2015 , respectively.

Additional information regarding our debt issuances is provided in Note 6 to the consolidated financial statements included in this Form 10-Q.

Capital Leases

As of September 30, 2016 and December 31, 2015 , we have approximately $13.7 million of manufacturing equipment acquired under capital leases. As of September 30, 2016 , one capital lease remains outstanding and is being repaid in equal monthly installments over a 24 month term and includes principal and interest payments with an effective interest rate of 13% .

Additional information regarding our capital leases is provided in note 7 to the consolidated financial statements included in this Form 10-Q.

Summary of Cash Flows

	Nine Months Ended September 30,	
(In thousands)	**2016**	**2015**
Cash (used in) provided by:		
Operating activities	**$ (4,159)**	$ 6,043
Investing activities	**(80,827)**	(11,841)
Financing activities	**177,558**	292
Effect of exchange rate changes on cash	**158**	(220)
Net increase (decrease) in cash and cash equivalents	**$ 92,730**	$ (5,726)

Operating Activities

Our net cash used in operating activities for the nine months ended September 30, 2016 was $4.2 million compared to $6.0 million provided by operating activities in the same period of 2015. The increase was primarily due to additional inventory purchases in order to support customer demand and to allow for alternative shipping methods which in turn is expected to lower our distribution costs, partially offset by a lower net loss recorded for the period.

Investing Activities

Our net cash used in investing activities for the nine months ended September 30, 2016 was $80.8 million compared to $11.8 million in 2015. In the nine months ended September 30, 2016, we invested $76.2 million into short-term investments. There were no such investments in 2015. In addition, the increase in investing activities relates to higher capital purchases for the nine months ended 2016 compared to 2015, primarily associated with investments in supply chain operations including $9.8 million for equipment in process of construction to support our U.S. manufacturing initiatives.

Financing Activities

We had net cash provided by financing activities for the nine months ended September 30, 2016 of $177.6 million compared to $0.3 million in 2015. The increase was primarily attributable to net proceeds of $333.9 million in September 2016 from the issuance of the 1.25% Notes, offset by repayments of $153.6 million for extinguishment of approximately 67% of our outstanding 2% Notes.

Commitments and Contingencies

We lease our facilities in Massachusetts, California, Canada and Singapore. Our leases are accounted for as operating leases. The leases generally provide for a base rent plus real estate taxes and certain operating expenses related to the leases.

Certain of our operating lease agreements contain scheduled rent increases. Rent expense is recorded using the straight-line method and deferred rent is included in other liabilities in the accompanying consolidated balance sheets.

The following table summarizes our principal obligations as of September 30, 2016 (in thousands):

Contractual obligations	Total	2016 (remaining)	2017	2018	2019	2020	Later
Operating lease obligations	$ 14,744	$ 624	$ 2,449	$ 2,383	$ 2,390	$ 2,383	$ 4,515
Debt obligations (1)	437,673	671	5,655	5,655	72,068	4,312	349,312
Capital lease obligations (2)	1,077	808	269	—	—	—	—
Purchase obligations (3)	63,274	21,885	31,757	9,632	—	—	—
Total contractual obligations	$ 516,768	$ 23,988	$ 40,130	$ 17,670	$ 74,458	$ 6,695	$ 353,827

(1) Debt obligations include principal and interest. Our senior convertible notes pay interest of 2% and 1.25% per annum.

(2) The effective interest rate on our capital lease obligations is 13%. Future interest payments are included in the amount of capital lease obligations presented.

(3) Our purchase obligations include commitments with certain of our suppliers, primarily for the purchase of Omnipod System components and manufacturing equipment along with other commitments to purchase goods or services in the normal course of business. We make such commitments through a combination of purchase orders, supplier contracts, and open orders based on projected demand information.

Legal Proceedings

The significant estimates and judgments related with establishing litigation reserves are discussed under "Legal Proceedings" in Note 13 to the consolidated financial statements included in this Form 10-Q.

Off-Balance Sheet Arrangements

As of September 30, 2016 , we did not have any off-balance sheet financing arrangements.

Critical Accounting Policies and Estimates

Our financial statements are based on the selection and application of generally accepted accounting principles, which require us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and the accompanying condensed notes. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment.

Actual results could differ from those estimates, and any such differences may be material to our financial statements. We have reviewed our policies and estimates to determine our critical accounting policies for the nine months ended September 30, 2016 . We have made no material changes to the critical accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

Information with respect to recent accounting developments is provided in note 2 to the consolidated financial statements included in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash, cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses, debt and long-term obligations. We consider investments that, when purchased, have a remaining maturity of 90 days or less to be cash equivalents. The primary objectives of our investment strategy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. To minimize our exposure to an adverse shift in interest rates, we invest mainly in cash equivalents. We do not believe that a 10% change in interest rates would have a material impact on the fair value of our investment portfolio or our interest income.

As of September 30, 2016 , we had outstanding debt recorded on our consolidated balance sheet of $412.1 million , gross of deferred financing costs and unamortized debt discount, related to our 2% and 1.25% Notes; and $1.1 million related to capital lease obligations. As the interest rates are fixed, changes in interest rates do not affect the value of our debt or capital lease obligations.

Foreign Currency Exchange Risk. Our business is subject to risks, including, but not limited to: unique economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. We are primarily exposed to currency exchange rate fluctuations related to our subsidiary operation in Canada. The majority of our sales outside of the U.S. are transacted in U.S. dollars and are not subject to material foreign currency fluctuations.

Fluctuations in foreign currency rates could affect our sales, cost of goods and operating margins and could result in exchange losses. In addition, currency devaluations can result in a loss if we hold deposits of that currency. A hypothetical 10% increase or decrease in foreign currencies that we transact in would not have a material adverse impact on our business, financial condition or results of operations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of September 30, 2016 , our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) under the supervision and with the participation of our chief executive officer and chief financial officer. In designing and evaluating our disclosure controls and procedures, we and our management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation of our disclosure controls and procedures as of September 30, 2016 , our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding our legal proceedings is provided in Note 13 to the consolidated financial statements in this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect our business, financial condition or future results. These risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 except for the following:

We may not be able to generate sufficient cash to service our indebtedness represented by our 2% Convertible Senior Notes due June 15, 2019 and our 1.25% Convertible Senior Notes due September 15, 2021. We may be forced to take other actions to satisfy our obligations under our indebtedness or we may experience a financial failure.

In 2014, we sold $201.3 million in principal amount of 2% Convertible Senior Notes, due in 2019. In September 2016, we sold $345 million in principal amount of 1.25% Convertible Senior Notes, due in 2021. In connection with the issuance of $345 million in 1.25% Convertible Senior Notes, we repurchased $134.2 million of our outstanding 2% Convertible Senior Notes. Our ability to make scheduled payments or to refinance the 2% and 1.25% Convertible Senior Notes or other debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the 2% and 1.25% Convertible Senior Notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our future debt agreements. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or obtain sufficient proceeds from those dispositions to meet our debt service and other obligations when due.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Description
4.1	Indenture, dated as of September 13, 2016, between Insulet Corporation and Wells Fargo Bank, National Association, as Trustee (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K on September 13, 2016 and incorporated by reference herein)
4.2	Form of 1.25% Convertible Senior Notes due 2021 (included in Exhibit 4.1) (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K on September 13, 2016 and incorporated by reference herein)
4.3	Amendment No. 2 to Shareholder Rights Agreement dated August 30, 2016 (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K on August 30, 2016 and incorporated by reference herein)
10.1+	Materials Supplier Agreement between Insulet Corporation and Flextronics Medical Sales and Marketing, Ltd., dated September 1, 2016
10.2+	Master Equipment and Services Agreement between Insulet Corporation and ATS Automation Tooling Systems Inc., dated August 31, 2016
31.1	Certification of Patrick J. Sullivan, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Michael L. Levitz, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Patrick J. Sullivan, Chief Executive Officer, and Michael L. Levitz, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Insulet Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Consolidated Balance Sheets as of September 30, 2016 (Unaudited) and December 31, 2015 (ii) Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited) (iii) Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited) (iv) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited) (iv) Condensed Notes to Consolidated Financial Statements (Unaudited)
+	Application has been made to the Securities and Exchange Commission for confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INSULET CORPORATION

(Registrant)

Date: November 4, 2016

/s/ Patrick J. Sullivan

Patrick J. Sullivan

Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2016

/s/ Michael L. Levitz

Michael L. Levitz

Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 10.1

MATERIALS SUPPLIER AGREEMENT

BETWEEN

INSULET CORPORATION

AND

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD

Insulet Materials Supplier Agreement

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.1

MATERIALS SUPPLIER AGREEMENT

TABLE OF CONTENTS

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EXHIBIT 10.1

INSULET CORPORATION – FLEXTRONICS MEDICAL

MATERIALS SUPPLIER AGREEMENT

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD	INSULET CORPORATION
Level 3, Alexander House 35 Cybercity, Ebene, Mauritius	600 Technology Park Drive, Suite 200 Billerica, MA 01821
Tel:	Tel: 978-600-7000

EFFECTIVE DATE: September 1, 2016

INITIAL CONTRACT TERM: Five (5) Years from Effective Date	PAYMENT TERMS: [*], net [*]days from receipt of invoice.

QUALITY AGREEMENT:
Attached as Exhibit D

THIS MATERIALS SUPPLIER AGREEMENT (this " **Agreement** ") is made and entered into as of the Effective Date indicated above, (the " **Effective Date** ") by and between Insulet Corporation, a Delaware corporation, on behalf of itself and its worldwide affiliates, having a principal place of business at 600 Technology Park Drive, Suite 200, Billerica, MA 01821 (" **Insulet** "), and Flextronics Medical Sales and Marketing, Ltd, a Mauritius, on behalf of itself and its worldwide affiliates, having a principal place of business at Level 3, Alexander House 35, Cybercity, Ebene, Mauritius (the " **Supplier** "). Insulet and Supplier are referred to herein individually as a "Party" and collectively as the "Parties".

For and in consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. General . This Agreement, together with all schedules and exhibits attached hereto along with all documents and/or prior agreements expressly incorporated by reference is the entire agreement and will be the controlling document in business dealings between the Parties with respect to the Products (as defined in Section 3 below) supplied hereunder. It supersedes all prior and contemporaneous agreements (including without limitation that certain Manufacturing Services Agreement by and between the Parties dated as of January 3, 2007, as amended to date), purchase orders and acknowledgments between the Parties relating to such Products, except as expressly stated below. Purchase commitments will be made only by means of Purchase Orders as defined in Section 6(a)(ii) below. Insulet and Supplier preprinted terms and conditions on any future purchase order, invoice, acknowledgment or other standard form shall not apply unless expressly agreed to in the particular case by both Parties in writing.

   Any subsidiary or affiliate of Insulet shall have the right to purchase products under this Agreement by providing written notice to Supplier of such subsidiary or affiliate's intention to purchase Products hereunder in advance of issuing any Purchase Orders. Supplier agrees, and each such subsidiary or affiliate who places orders under this Agreement agrees (by the act of placing such orders), that all

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

terms and conditions of the Agreement shall apply to such orders and resulting purchases as if the name of the subsidiary or affiliate was substituted for the term "Insulet" wherever it appears in this Agreement. Supplier will bill each Insulet subsidiary and affiliate separately for all products provided to such subsidiary or affiliate and Supplier agrees to collect from Affiliates first, if however the Affiliate fails to pay any undisputed amounts within [*] days after notice by Supplier, Supplier may then invoice any outstanding undisputed amounts to Insulet. Each subsidiary or affiliate will only be liable for those obligations expressly applicable to such subsidiary or affiliate whether set forth in this Agreement or the Exhibit to which it is a party.

Also, at Insulet's option and written direction, Supplier will allow Insulet's designated " **Higher Level Supplier(s)** " to purchase Products (as defined below), under the terms of this Agreement, solely for the purpose of incorporating those Products into products that the Higher Level Supplier produces for Insulet. In such event, Supplier shall sell the Products to such Higher Level Supplier(s), subject to Supplier's reasonable credit approval of the Higher Level Supplier(s) and subject to such Higher Level Suppliers(s) written agreement to be bound by Supplier's reasonable terms of sale; provided that such terms of sale are consistent with the terms contained herein. The pricing for such sales shall be the pricing provided herein. The Higher Level Supplier(s) shall be solely responsible for payment for Products, and for other payments provided herein based on the Delivery Schedule, the Flexibility Schedule and the Supply Chain Profiles, all as detailed below, on the same basis that Insulet would be responsible if Insulet were providing the Delivery Schedule. However, all matters with respect to Products sold to the Higher Level Suppliers shall be handled directly between Supplier and Insulet under the terms of this Agreement.

2. Term of Agreement . The initial term of this Agreement shall commence upon the Effective Date and shall be for the period identified above as " **Initial Contract Term** ", unless earlier terminated pursuant to Section 16 herein. Upon the expiration of the Initial Contract Term, the term of this Agreement shall automatically extend until the earlier of: (a) termination of this Agreement by (i) Insulet upon at least [*] ([*]) [*] prior written notice to Supplier or (ii) Supplier upon at least [*] ([*]) [*] prior written notice to Insulet; or (b) replacement of this Agreement by another written agreement of the Parties. The Initial Contract Term together with any extensions as provided by this Section 2 is referred to in this Agreement as the " **Term** ".

3. Products; Supply Commitment .

   a. Products . This Agreement covers purchases of products listed on Exhibit A attached hereto and incorporated herein by reference or added to Exhibit A as provided below (collectively, " **Products** "). Each Product is defined by reference to a Insulet drawing (each, a " **Drawing** "). Drawings are referenced by part number and revision level and may include and/or reference: specifications, test instructions, quality instructions, manufacturing instructions, assembly instructions and a bill of materials (including approved vendors). Each Drawing and all documents referenced therein, as well as all revisions to Drawings made in accordance with this Section 3, are referred to in this Agreement as the " **Specifications** " for the Products covered by the Drawing. For each business day Supplier shall provide to Insulet a daily report, in an electronic format, detailing all the applicable information relating to the manufacture of Products in a form mutually agreed to by the Parties. Supplier agrees to provide such reports in a form and to include such information and metrics that Insulet may request from time to time.

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

b. Additional Products . From time to time, the Parties may mutually agree to add Products to this Agreement by executing an amended Exhibit A . However, in the absence of an amended Exhibit A , if Supplier issues a written price quotation to Insulet (whether in response to a Drawing submitted by Insulet, as part of a pricing event contemplated by this Section 3 or Sections 4, or as part of a new product proposal by Supplier), and Insulet places order(s) for such product, then such product shall automatically be deemed added to Exhibit A at the price quoted and shall be deemed a Product under this Agreement.

c. Changes to Specifications . Drawings may be revised from time to time as mutually agreed in writing between the Parties (either by execution of an amended Exhibit A that references the new revision level or other writings of the Parties). Supplier shall not unreasonably withhold approval to Drawings or Specifications changes proposed in writing by Insulet (each change an " **Engineering Change** " or " **EC** "). Supplier will use commercially reasonable efforts to evaluate the feasibility of the EC requested by Insulet within [*] ([*]) business days of receipt and respond to Insulet in writing with the potential impact of the EC on current on-hand or on-order component inventory, work-in-progress Products (" **WIP** "), finished goods Products, and/or the Delivery Schedule. In addition to the written response provided above, Supplier will use commercially reasonable efforts to respond to Insulet within [*] ([*]) business days with a written evaluation of the EC including: (i) engineering time to implement the EC, (ii) the cost to modify Tools or test fixtures or similar non-recurring expenses, (iii) the quantity of Obsolete Items (as defined in Section 8(a) below) Supplier has on hand and/or on order with its suppliers related to the EC, (iv) the cost to rework WIP (if applicable) and any impacts to Product price resulting from the EC, (v) the expected effect on the Delivery Schedule to include (if applicable) the effect on all in-process work (e.g., re-workable, repairable, etc.), (vi) any changes to Supply Chain Profiles, and (vii) the manner in which the EC will be implemented by Supplier. Supplier will not proceed to implement the EC until Insulet has approved the charges and Supplier actions described in the Supplier evaluation that is provided to Insulet.

d. Manufacturing and Delivery Commitment . For the Term of this Agreement, Supplier commits to supply to Insulet, in accordance with the terms and conditions hereof, such quantities of the Products listed on Exhibit A (including those added as provided above) as Insulet may choose to order under the terms of this Agreement and which Supplier has agreed to supply in accordance with the terms hereof. There are no purchase volume commitments by Insulet under this Agreement (except for the binding forecast in Section 6(a)(i)), and Insulet reserves the right to purchase the Products or similar items from other suppliers. If Supplier fails to deliver the total quantity of Products ordered by Insulet in any Purchase Order by the date of delivery specified therein, then, (i) at Insulet's option, Insulet may have the remaining portion of the order of Product shipped by air freight at Supplier's sole cost and expense and (ii) Supplier shall use commercially reasonable efforts to identify the root cause of the failure and provide such information to Insulet as soon as reasonably possible. Thereafter, the Parties agree to engage in a management review and remediation process to prevent such failure from reoccurring. Regardless of whether Insulet orders replacement or substitute Products from another source, Supplier shall remain obligated to deliver the total quantity ordered by Insulet, unless Insulet notifies Supplier that Insulet is canceling its order with respect to the amount of the shortfall.

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4. Prices .

a. General . During the Term, prices shall be calculated in accordance with the price model set forth on Exhibit A (including those for Products added to Exhibit A as provided in Section 3 above). All prices shall be in U.S. Dollars. The purchase price shall include all costs for adequate packaging as suitable for transport by road and/or as further specified under the Specifications listed in this Exhibit A .

b. Cost Reduction . Supplier hereby agrees to identify areas wherein cost savings can be realized and passed on to Insulet through productivity improvements and cost savings (" **Cost Savings** "). Such Cost Savings shall be reflected as a reduction of prices set forth in Exhibit A . Supplier hereby agrees to use commercially reasonable efforts to [*]; provided, that Insulet will review and approve any recommended productivity change requested by Supplier as soon as practicable after submission of such change; provided, further, in each case, that such requested change does not otherwise adversely impact the quality of the Products.

c. Process Improvements . In the event Supplier implements any operational excellence or other process improvements at Insulet's suggestion and under Insulet's guidance, Supplier shall pass 100% of the savings attributable to such improvement, after Supplier recoups costs and expenses specifically and actually incurred by Supplier as a result of the development and implementation of such improvements (if any), along to Insulet and such savings shall not be included in the Productivity Savings Goal set forth above.

d. Business Review . Insulet may conduct reviews of the Supplier's operations, books and records, and other documentation relating to the pricing model and components thereof agreed to by the parties at reasonable times and upon reasonable notice, annually during the Term and more often as may reasonably be necessary in order to ensure compliance with the provisions of this Agreement.

e. Taxes . Except to the extent that Insulet's purchase of the Products is exempt from such taxes as evidenced by a written certification of exemption provided by Insulet, Insulet shall bear all applicable sales, use, excise, value added (VAT) or similar federal, state, municipal and other taxes payable with respect to the sale by Supplier to Insulet of the Products as finished goods and any property taxes assessable on the Products after delivery to Insulet. If Supplier is required to collect and remit any such taxes, then Supplier shall add such taxes to the invoice for sale of the Products, and Supplier agrees to remit such taxes as collected to the proper taxing authorities. With respect to the medical device excise tax pursuant to IRC §4191 (" **MDET** "), Supplier hereby acknowledges and agrees that for purposes of this Agreement, Insulet shall be deemed the holder of the regulatory filing with respect to all applicable products and is therefore deemed the manufacturer of such products. Furthermore, Insulet shall be deemed the responsible payor with respect to MDET and Supplier hereby acknowledges and agrees that it shall not remit or make any payments with respect thereto. To the extent that Supplier does remit or make payment for MDET, Supplier acknowledges and agrees that Insulet will not reimburse Supplier for any portion of such payments. Supplier shall be responsible for payment of any taxes relating to the Products or production thereof that are not based on transfer of the Products to Insulet or that are based on the income of Supplier (rather than on the transfer of the Products). Each Party hereby indemnifies the

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other Party for any government claims or fines, other than the amount of any tax owed by such Party and not paid to the other Party, against such Party due to the other Party's failure to remit or pay to applicable taxing authorities any taxes or similar charges that are the responsibility of the other Party to pay or remit, including any taxes collected from such Party for remittance by the other Party. In the event Insulet is required to withhold taxes from amounts paid to Supplier hereunder and remit such taxes to a taxing authority, Supplier expressly authorizes Insulet to do so.

5. Shipping .

a. Shipping Terms . The Parties agree that the shipping terms for each Product sold hereunder on Exhibit A shall be [*] (Incoterm 2010) [*] facility as specified by the parties. Except as otherwise set forth on Exhibit A , the following terms shall apply to all Products and components Supplier purchases for use in manufacturing the Products: [*] shall arrange for shipping through carriers designated by [*] who will invoice the shipping charges directly to [*] for all inbound and outbound shipments to and from Supplier for or on behalf of Insulet. (Alternatively, if directed by Insulet, Supplier shall arrange shipping (pursuant to instructions which Supplier shall request from Insulet's Shipping Department) and prepay and add the shipping charges to the invoice as a separate line item). Supplier shall bear all risk of loss or damage to Products until the Products are delivered to [*]. Supplier shall obtain, at Supplier's expense, all export licenses and shall carry out all customs formalities related to the export of the goods. Insulet agrees to provide Supplier, within [*] ([*]) days of request, with each of the following in order to enable Supplier to fulfill its responsibility for export formalities: (i) export control classification numbers and harmonized tariff schedule information for Insulet's assemblies and sub-assemblies; (ii) information sufficient to allow Supplier to clear shipments under laws and regulations pertaining to restricted parties and/or prohibited countries; and (iii) other information in Insulet's possession that Supplier reasonably requests to assist in fulfilling Supplier's export clearance responsibilities. Insulet shall obtain, at Insulet's expense, all import licenses and shall pay all import customs duties and fees, as well as carrying out all custom formalities and shall be the importer of record, unless otherwise indicated on Exhibit A . Title for the Products shall transfer upon delivery to carrier.

b. Anti-Terrorism Measures . Supplier agrees to designate, (and in the event Insulet designates, then Insulet agrees to designate,) only freight carriers that are currently in compliance with all applicable laws relating to anti-terrorism security measures and to adhere to the C-TPAT (Customs-Trade Partnership Against Terrorism) security recommendations and guidelines as outlined by the United States Bureau of Customs and Border Protection and to prohibit the freight carriage to be sub-contracted to any carrier that is not in compliance with the C-TPAT guidelines.

6. Order Procedures; Delivery Schedules; Zones; Stocking Hub; Invoices .

a. Order Procedures .

i. Rolling Forecast / Delivery Schedule . Unless an alternative procedure is mutually agreed in writing between the Parties, Insulet shall provide Supplier with a rolling forecast and delivery schedule for Products to be purchased under this Agreement

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covering at least a [*] ([*]) month period. Unless otherwise set forth in Exhibit A , the first [*] ([*]) months of the forecast/schedule will include specific delivery dates; the remainder of the forecast/schedule will identify monthly quantities. The forecast/schedule described in this subsection (i) is called the "Delivery Schedule". The Delivery Schedule will be updated at least once every month and will be subject to the change provisions set forth in Section 6(b) below. Within the Delivery Schedule, each quantity that Insulet indicates for a particular delivery date or time period (e.g., a time period where quantities are shown only on a monthly basis) is known as a " **Scheduled Delivery** ".

ii. Order Methods . Insulet may place orders under this Agreement for quantities and delivery dates or time periods by giving Supplier prior written notice consistent with the agreed to lead time for the applicable Product as set forth in the applicable Exhibit ; provided, that if no such lead time is identified, at least [*] ([*]) days prior written notice. These orders may be in the form of the Delivery Schedule described in Section 6(a)(i) above or standard purchase order documents (which may be "standalone" purchase orders or "blanket purchase orders" with quantities scheduled by "releases") or other written means mutually arranged by the Parties (each a " **Purchase Order** " and collectively the " **Purchase Orders** "). Regardless of the means by which Insulet informs Supplier of quantities and delivery dates, each quantity that Insulet indicates for a particular delivery date or time period is known as a " **Scheduled Delivery** ".

b. Delivery Schedules; Updates; Procedure; Changes . Supplier agrees to supply Scheduled Deliveries that Insulet submits in accordance with Section 6(a) above, as increased or decreased by Insulet within the permitted changes allowed under the Flexibility Table referenced in Section 6(c) below without any expedited cost or expense; provided , however , that any Scheduled Deliveries may also be cancelled by Insulet in accordance with Section 15 below (Cancellation for Convenience), including the financial responsibility provisions in such Section 15, or cancelled by an applicable party for cause as provided in Section 16 below (Cancellations for Cause, including the financial responsibility provisions in such Section 16); and provided , further , that if the Parties mutually agree to changes for Scheduled Deliveries that are beyond the scope of the changes permitted in the Flexibility Table, then Supplier shall supply those revised Scheduled Deliveries.

c. Zones . At any particular time, each Scheduled Delivery (or forecasted quantity) is considered to fall into one of a number of zones as shown in the " **Flexibility Table** " attached hereto as Exhibit B and incorporated herein by reference (each a "Zone" and collectively the " **Zones** "), depending on how much calendar time remains until the date of that Scheduled Delivery (or forecasted quantity). For any Scheduled Delivery, Insulet may (i) increase or decrease the quantity of Products or (ii) reschedule the quantity of Products and their shipment dates in accordance with the Flexibility Table. In the event that Insulet cancels quantities outside the Frozen Zone beyond the amounts of allowable quantity decreases in the Scheduled Delivery Change Table), such cancellations will be subject to the provisions of Section 15 below (Cancellation for Convenience), including the financial responsibility provisions in such Section 15, or the provisions of Section 16 below (Cancellations for Cause), including the financial responsibility provisions in such Section 16.

d. Supplier Response to Purchase Orders and Delivery Schedules . Whenever Insulet submits Delivery Schedule information, whether by means of a Purchase Order, change order, purchase order "release" or revised Delivery Schedule, Supplier agrees to respond to Insulet (by fax, email or equivalent written media) within [*] ([*]) business days after receipt. The response should confirm receipt of the Purchase Order, change order, release or revised Delivery Schedule and inform Insulet if Supplier objects to any part of that submission as being contrary to the requirements of this Section 6. With respect to the information submitted per this Section 6(d), if Supplier does not object to the Delivery Schedule information within those [*] ([*]) business days, then all portions of the Delivery Schedule will be deemed to comply with the requirements of Section 6.

e. Stocking Hub . If mutually agreed by the Parties from time to time, including quantities and cost in a subsequent written agreement, for Products produced by Supplier which are consumed in a Insulet factory or by another supplier (not Distribution Center), Supplier may agree to establish one (1) or more warehousing sites (each, a " **Hub** ") in or near the respective Insulet factories to which the Products will ultimately be delivered by Supplier. Supplier will stock such of the Products as the Parties may mutually agree at each such Hub from which orders by the applicable Insulet facility(ies) will be fulfilled. Supplier will retain ownership of such Products and shall bear the risk of loss or damage (for which Supplier shall maintain adequate insurance) while at the Hub(s) and until they are delivered to the Insulet facility or Insulet picks them up from the Hub, whichever occurs first. Insulet may terminate the arrangements for a particular Hub or Product(s) on at least [*] ([*]) days' written notice to Supplier, and upon termination of the Hub, Insulet shall purchase all Products in the Hubs affected by the termination at the applicable Product price.

For mutually agreed Hubs and Products, Supplier shall at all times maintain in the Hub a target quantity of buffer inventory (" **Buffer Inventory** ") of Product (which may be based on currently Scheduled Deliveries/Forecast out [*] ([*]) months). This Buffer Inventory is in addition to finished goods and WIP that Supplier needs to maintain in order to fill Scheduled Deliveries. The Buffer Inventory is required to shorten lead time of the Products as well as guard against disruptions in raw materials supply. Supplier shall use commercially reasonable efforts to fill any new Hub with Product and the required Buffer Inventory within [*] ([*]) days of the Parties' agreement to stock a Hub. As a result of stocking Buffer Inventory, Product lead times will be reduced and may be less than [*] ([*]) calendar days. Supplier may invoice for and ship to Insulet any Product that remains in the Hub longer than [*] ([*]) days, provided that Supplier has not stocked the Hub with more than the agreed-upon target level of Buffer Inventory for such Hub.

Insulet may draw any or all of the Buffer Inventory from a Hub at any time, upon notice to Supplier, and Supplier will deliver Product to Insulet from the Buffer Inventory. When Insulet draws down on the Buffer Inventory, Supplier shall have [*] ([*]) days to replenish the Buffer Inventory to the thirty (30) day level.

f. Invoices . Invoices for purchases will be issued to and payable by the Insulet business unit, affiliate or subsidiary that placed the order for the purchases. Similarly, any applicable cancellation charges under Sections 15 or 16 below or materials or components charges under Section 8 below will be payable by the Insulet business unit, affiliate or subsidiary that cancelled the order or for whom the materials or components were

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acquired. Payment terms will be [*] ([*]%)/[*] ([*]), net [*] ([*]) days from receipt of invoice.

In the event of a dispute between the parties regarding any invoice, the parties will in good faith attempt to work out an amicable resolution. Upon written request of either party, the business contact of each Party shall promptly confer and exert their commercially reasonable efforts without the necessity of any formal proceeding related thereto to reach a reasonable and equitable resolution of a dispute under this Agreement. If such business contacts of each party are unable to resolve the dispute within ten (10) business days, the dispute shall be referred to the responsible senior management of each party for resolution. Neither party shall seek any other means of resolving any dispute arising in connection with this Agreement until both parties' responsible senior managements have had at least ten (10) business days to resolve the dispute following its referral to them. In the event that the parties are unable to resolve the dispute to the satisfaction of both parties, then either party shall pursue further remedies under this Agreement.

7. Supply Chain Profiles. Insulet shall provide to Supplier and maintain a list of approved materials suppliers (the " **Approved Supplier List** " or " **ASL** "). Supplier agrees to only purchase the materials required to manufacture the Product from suppliers on the then current ASL. Supplier shall prepare supply chain profiles providing the categories of information indicated in Exhibit C which is attached hereto and incorporated herein by reference (each, a " **Supply Chain Profile** " and collectively, the " **Supply Chain Profiles** ") for all materials and components used to produce the Products.

Supplier will provide the Supply Chain Profiles to Insulet by close of business on the first (1 st) Friday of each calendar quarter. The Supply Chain Profiles will state the specific information set forth in Exhibit C , by material or component type, per bill of material, for each Product. During the Parties' review of the Supply Chain Profiles, Supplier shall communicate (a) Insulet's total potential financial responsibility, by material or component type, calculated in accordance with Section 8 below, (b) known supply chain risks and an analysis and mitigation plan, and (c) any localization, alternate sourcing or value engineering opportunities. Other than as set forth in Section 15 (Cancellation for Convenience) and Section 16 (Cancellation for Cause), Insulet shall be financially responsible for materials or components in accordance with the mutually agreed-upon Supply Chain Profiles and in accordance with Section 8 below.

8. Insulet Responsibility for Obsolete and Aged Items of Component and Materials.

Insulet expects that Supplier will order sufficient materials and components to meet Insulet's requirements under this Agreement, including, without limitation, all Scheduled Deliveries that Insulet submits in accordance with Section 6(a) above, as increased or decreased by Insulet within the permitted changes allowed under the Flexibility Table referenced in Section 6(c) without any expedited cost or expense. Insulet recognizes that Supplier may need to order components and materials to cover future needs for production of Products based on the Delivery Schedule, the Flexibility Table, the minimum package quantities (" **MPQs** "), the volume pricing quantities (" **VPQs** "), and/or the lead times identified in the mutually agreed-upon Supply Chain Profile (per Section 7 above).

Therefore, in the following circumstances, Insulet will have responsibility to purchase excess or obsolete components or materials from Supplier but only to the extent provided in clauses (i), (ii) and (iii) of Section 15(a) below (regardless of whether a cancellation for convenience has occurred):

a. If Insulet discontinues the purchase of the Products for which such components or materials were purchased or modifies a Product to eliminate the use of a particular component or material, and such components or materials cannot be used within the next [*] ([*]) months in other Products that Supplier is manufacturing for Insulet (" **Obsolete Items** "), then Insulet's responsibility applies to all such items in Supplier's inventory that Supplier was authorized to purchase in accordance with the MPQs, VPQs, and lead times identified in the applicable Supply Chain Profile or, in the case that a component or material was not required to be included in the Supply Chain Profiles per Section 7, then the actual MPQs, VPQs, and lead times for such component shall apply; or

b. In the event that any material or component procured by Supplier that is not required to satisfy demand in the next [*] ([*]) days, such materials and components become " **Excess Items** ". Insulet shall, upon written demand from Supplier, either: (i) provide Supplier with a Purchase Order for Products to consume Excess Items within [*] ([*]) days or a Purchase Order to purchase the Excess Items themselves, (ii) pay Supplier a cash deposit in the amount of the cost of the Excess Items which shall be reconciled by the Parties quarterly, or (iii) begin paying to Supplier monthly an inventory carrying charge of one and [*] percent ([*]%) of the cost of the Excess Items, plus applicable manufacturing overhead (" **MOH** ").

Notwithstanding the foregoing, any material or component procured by Supplier for an Insulet new product initiative shall be considered "NPI Items" up until IQ for Products built on substantially new manufacturing lines and first commercial build on existing manufacturing lines. Regardless of [*], NPI Items shall not be [*]; provided , however , that any NPI Items [*] shall be [*]. Supplier hereby agrees to [*].

For all Excess Items that Insulet purchases under this Section 8, Supplier shall [*], and Supplier shall [*]. For Obsolete Items that are purchased by Insulet, Insulet will provide direction to Supplier on the disposition of such items, the cost and manner of disposition shall be mutually agreed to by the Parties within [*] ([*]) days. If an agreement on cost and manner of disposition is not reached within [*] ([*]) days, Supplier may dispose of the items in a commercially reasonable manner.

The monetary amount stated as Insulet's potential financial responsibility for materials and components, as indicated from time to time in the Supply Chain Profiles provided under Section 7 above, is prior to any potential reduction for restocking of material or components to Supplier's vendors or use of materials or components for other customers, it being agreed that prior to charging Insulet for materials or components in accordance with the applicable provisions of this Agreement, Supplier must use commercially reasonable efforts to minimize Insulet's financial responsibility for materials and components by using the materials and components to satisfy other customers orders prior to attempting to return materials and components to the vendor. Insulet's financial responsibility under this Section 8 shall not apply to materials or components that are otherwise covered under Section 15(a) below due to a Cancellation for Convenience, or that are otherwise covered under Section 16(b) below due to a Cancellation for Cause.

9. Fill Rate . The dates for Scheduled Deliveries are the dates by which the material must meet Insulet's Fill Rate requirement. Scheduled Deliveries, in the exact quantities scheduled, between the due date and up to [*] ([*]) Insulet manufacturing days early will be considered on-time. For purposes of this Agreement, " **Fill Rate** " shall mean the Product being received by the appropriate carrier on the date specified by Insulet.

Insulet reserves the right to refuse delivery of excess quantities or of Products that exceed or do not meet Fill Rate requirements. Supplier is responsible for the excess cost of premium freight over regular freight when shipping Products to meet Scheduled Deliveries to the extent that the delay in shipment was caused by Supplier. For the avoidance of doubt Supplier shall not be responsible for delays caused solely by Insulet or a force majeure event.

With each delivery, Supplier will provide a packing list showing, for each Product shipped: the Insulet part number and revision level, the number of pieces shipped, the Scheduled Delivery date and quantity and the Purchase Order number(s). The same information will be provided on invoices and in both machine readable and human readable format as agreed by the Parties.

10. Quality; Acceptance; Test Data; Failure Analysis .

a. Acceptance criteria for Products is [*] percent ([*]%) conformance to the Specifications and to the requirements set forth in the Quality Agreement attached hereto as Exhibit D and incorporated herein by reference (the "Quality Agreement"). Products may be returned within a reasonable time frame if non-conformance to the Specifications is discovered by Insulet at incoming inspection, source inspection, and/or on Insulet's shop floor (e.g., during Insulet's final test of the Insulet products which contain the Products supplied by Supplier). An entire shipment may be rejected based on reasonable sampling by Insulet in light of the nature of the Product and nature of the non-conformance. Payment for Products does not constitute acceptance if a non-conformance is subsequently discovered as provided above. Within [*] ([*]) manufacturing days after Supplier receives notification of Product rejection by Insulet, Supplier shall issue a Returned Materials Authorization (" **RMA** ") number to Insulet to facilitate return or disposition of the products. Issuance of the RMA number is procedural only and is not an admission that the Products are nonconforming. If the RMA number is not received in that time, Insulet may return the Products to Supplier without an RMA number.

b. For purposes of this Agreement, " **Epidemic Failure Event** " shall mean the occurrence of the same failure resulting from a breach of the Product Warranty (excluding the [*] ([*]) month Product Warranty Period which is replaced by the [*] ([*]) month period in (ii) below) (i) attributable to the same root cause found in [*] percent ([*]%) or more of units of a particular Product, shipped by Supplier during a consecutive [*] ([*]) month period where such failure is verified by Supplier and Insulet, or an independent third party determined by Insulet subject to Supplier's reasonable consent, such consent not unreasonably withheld; and (ii) occurring within [*] ([*]) months after the date of delivery of the Products.

c. Upon occurrence of a suspected Epidemic Failure Event, Insulet shall promptly notify Supplier, and shall provide, if known and as may exist, a description of the failure, and the suspected lot numbers, serial numbers or other identifiers, and delivery dates, of the failed Products. Insulet shall make available to Supplier, samples of the failed Products

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for testing and analysis. Upon receipt of Product from Insulet, Supplier shall promptly provide its preliminary findings regarding the cause of the failure. The Parties shall cooperate and work together to determine root cause. Thereafter, Supplier shall promptly provide the results of its root cause corrective analysis, and if it is determined to be an Epidemic Failure Event, its proposed plan for the identification of and the replacement of the affected Products, and such other appropriate information. Supplier shall recommend a corrective action program which identifies the affected units for replacement, and which minimizes disruption to the end user. Insulet and Supplier shall consider, evaluate and determine the corrective action program. In the event the test equipment necessary to test and analyze the defective product is no longer in Supplier's possession due to a planned phase-out of such equipment, Insulet and Supplier shall identify an alternative method (including without limitation timing and cost elements) by which to test and analyze the Epidemic Failure Event to both Parties' satisfaction. Upon occurrence of an Epidemic Failure Event, Supplier shall replace or, at Supplier's option, issue a credit or payment to Insulet in an amount equal to the cost to Insulet for replacement Products; (b) reimburse all direct, reasonable, and documented labor, equipment and processing costs incurred by Insulet solely as a result of the implementation of the corrective action program for such Epidemic Failure Event, including test procedures and the testing of Products subject to the total limitation of liability in Section 20(f) below; and (c) reimburse freight, transportation, expedited shipping costs, customs, duties, insurance, storage, handling and other shipping costs incurred by Insulet solely in connection with the replacement of the affected Products.

d. Supplier agrees to execute and deliver, upon request from Insulet, Supplier's standard form of compliance certificate certifying Supplier's compliance with the requirements imposed by this Agreement and by applicable laws, regulations and industry standards and setting forth the country or countries of which the articles are a product. This compliance certificate must identify the shipment by shipment date, part number, revision number, quantity, and lot or serial numbers, as applicable. The compliance certificate must also set forth the country or countries of which the articles are a product.

11. Performance Measurements; Quality Performance Scorecard . Exhibit E attached hereto and incorporated herein by reference contains an explanation of the Quality Performance scoring used for the purpose of monitoring the Supplier's Quality.

12. Tooling and Other Property Furnished by Insulet . Exhibit F attached hereto and incorporated herein by reference contains terms and conditions relating to tooling and other manufacturing equipment produced by Supplier for Insulet or provided by Insulet to Supplier for production of Products for Insulet. These terms and conditions are incorporated herein by reference.

13. Information for Regulatory Filings; Audits .

a. Supplier agrees to provide Insulet with all information about the Products necessary, in Insulet's reasonable opinion, to enable Insulet to take the steps needed to permit the marketing and sale of Insulet products into which the Products are incorporated (and to permit the marketing and sale of any other Products which are sold as accessories to any Insulet products) in all jurisdictions in the world in which Insulet chooses to market and sell the Products and such Insulet products. Such steps by Insulet include making regulatory submissions and/or self-certifications, as applicable, and successfully

obtaining such regulatory registrations, clearances and approvals as are needed to permit such marketing and sale. The relevant United States Food and Drug Administration (" **FDA** ") reviewer guidance documents or relevant requirements of other regulatory bodies shall be considered for the purposes of determining what information is necessary.

b. Where specific testing is required to comply with the laws governing such regulatory registrations, clearances, approvals and self-certifications, then Insulet shall be responsible for obtaining such testing except where Supplier specifically commits to undertake such testing. Supplier agrees to assist Insulet in developing test protocols for the Insulet products that incorporate the Products and in answering questions from FDA and other regulatory authorities concerning Insulet's submissions, insofar as such questions relate to any of the Products. Insulet is solely responsible for determining the intended use of the Products and for the validation of the Products and their respective Drawings and Specifications for such intended use.

c. Insulet shall have the right to inspect Supplier's facilities, quality systems and records, and other documentation relating to Supplier's adherence and performance to the quality standards set forth herein, and to assure compliance, at reasonable times and upon reasonable notice, at least annually during the Term and more often as may reasonably be necessary or desirable to assure quality of the Products and to conduct QA audits.

d. Supplier shall cooperate in assisting Insulet in such audits. During any such audits, Insulet shall have full access to Supplier's facilities used for manufacturing, packaging, testing and storage of Product.

14. Disaster Recovery . Supplier shall provide Insulet with a copy of Supplier's Disaster Recovery Plan (the " **Plan** ") which states policies, procedures and arrangements which Supplier shall adhere to in order to forestall and mitigate some of the disruption and delay in delivery of Products that might otherwise result from force majeure events impacting Supplier or its key vendors such as natural disasters, strikes, government actions, and materials and utility shortages. This Plan may include alternate manufacturing sites, maintaining some materials inventory at a different location, alternate subcontractor sources for materials or manufacturing, etc. Supplier agrees to adhere to all provisions of such Plan during the Term of this Agreement and during any additional period as the Parties continue to do business together under Section 2 above. Supplier understands that Supplier is a key vendor to Insulet and that disruption or delay in delivery of Products to Insulet can have serious impact on Insulet's ability to manufacture and deliver its own products to its customers.

15. Cancellations for Convenience . At any time, Insulet may (i) terminate this Agreement and all Scheduled Deliveries for convenience upon at least [*] ([*]) days' prior written notice to Supplier or (ii) cancel any Scheduled Deliveries for Insulet's convenience upon at least [*] ([*]) days' prior written notice to Supplier (each a " **Cancellation for Convenience** " and together, " **Cancellations for Convenience** "), and this Section 15 shall govern Insulet's financial obligation to Supplier for such Cancellations for Convenience. Cancellations for Convenience are only cancellations of Scheduled Deliveries by Insulet beyond the quantity of cancellations/reductions allowed under the change provisions of Section 6(c) above, including the Flexibility Table.

If Insulet informs Supplier of Insulet's intent to make any Cancellations for Convenience, then, prior to Supplier cancelling the Scheduled Delivery, Supplier shall first inform Insulet of the charges that would be applied, in accordance with this Section 15, for such proposed cancellation. In the event

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that such charges are made in accordance with this Agreement, Supplier shall cancel such Scheduled Delivery and invoice Insulet immediately for such charge. Invoices shall be paid in accordance with the terms of this Agreement. Insulet will pay Supplier the following amounts for such Cancellation for Convenience quantities and in the event of termination of the Agreement for convenience, depending on the Zone of the cancelled quantity (per the Flexibility Table in Exhibit B):

a. For materials or components allocable to cancelled quantities of Products in Zones for which the Flexibility Table shows a commitment for materials or components, the following amounts as applicable: (i) the actual cost plus applicable MOH of materials and components obtained by Supplier for production of such cancelled quantities, but only for materials or components which Supplier cannot immediately and reasonably divert to other customers or uses, restock to the vendor, or sell at no loss, and provided that Insulet shall not be responsible for materials or components that Supplier has ordered in advance of need or in excess of need (excluding needs to cover the flexibility allowed under the Flexibility Table to make changes to the Scheduled Deliveries), based on the Delivery Schedule and the MPQs, VPQs, and lead times identified in the applicable Supply Chain Profiles; (ii) the restocking charges of Supplier's vendors for materials or components that are restocked to the vendor and cannot be diverted or sold as above (but not including restocking of items that were ordered in advance of need or in excess of need as described above); and (iii) order cancellation charges of Supplier's vendors for materials or components ordered which cannot be diverted as above (but not including cancellation charges for items that were ordered in advance of need or in excess of need as described above); and

b. Documented WIP allocable to cancelled quantities of Products in Zones for which the Flexibility Table shows a commitment for WIP which cannot be diverted as above, not to exceed the aggregate price of such canceled Product quantities; and

c. Insulet’s purchase price (per this Agreement) for finished goods that are allocable to cancelled quantities of Products in Zones for which the Scheduled Delivery Change Table shows a commitment for finished goods and for finished goods in any Buffer Inventory remaining in any Hub, not to exceed the agreed upon maximum quantity of Buffer Inventory.

If Insulet informs Supplier of Insulet’s intent to cancel any Scheduled Deliveries in Zones that show no commitment, per the Flexibility Table in Exhibit B , it is understood Insulet will incur no associated cancellation charges. It is understood that certain Products being produced for Insulet are specific to Insulet and will not be useable for other customers, and that certain materials or components used to produce Products for Insulet may not be returnable to Supplier's vendors. Any materials, components, WIP or Products for which Insulet is liable hereunder shall be provided to Insulet as a deliverable and Insulet will provide direction to Supplier on the disposition of such items. Payment for such charges shall be as provided by the payment terms of the Agreement.

16. Termination of Agreement; Cancellation of Scheduled Deliveries for Cause .

a. By Insulet . Any of the following events shall be considered a default by Supplier.

i. Supplier fails to meet any material obligation to supply Product pursuant to Section 3 above;

ii. Supplier is reasonably placed on " **Limited** " status and fails to abide with reasonable provisions set forth by Insulet in writing to be granted " **Approved** " status within one calendar year;

iii. Supplier fails to adhere to the Quality Agreement and such failure is not cured within [*] ([*]) days of written notice by Insulet;

iv. Supplier has repeated failures to adhere to the Quality Agreement which in the aggregate are a material failure, even if one or more of such failures has previously been cured under Section 16(a)(iii) above; or

v. Supplier breaches Section 21 below.

In the event of such default, Insulet reserves the right upon written notice to Supplier to terminate this Agreement and/or cancel any or all outstanding Scheduled Deliveries for all Products. Any such cancellation will be considered cancellation for cause and Insulet will not be required to pay Supplier any amounts with respect to such canceled deliveries except for: (1) any amounts that might otherwise be owed; (2) the actual cost of components and materials ordered or held by Supplier in accordance with this Agreement, other than any components or materials involved in the default; and (3) conforming finished Products received by, or in transit to Insulet.

b. By Supplier . Supplier may terminate this Agreement and any or all Scheduled Deliveries hereunder upon written notice to Insulet in the event that Insulet, (or in the case of a Scheduled Delivery requested by an affiliate, such affiliate), fails to pay any amounts when due (other than amounts which are disputed in good faith), and such failure is not cured within [*] ([*]) days after Supplier has notified Insulet in writing that such amounts are overdue and not paid and that Supplier intends to terminate this Agreement or certain Scheduled Deliveries if such amounts are not paid within the [*] ([*]) day cure period. In the event that Supplier terminates this Agreement and/or any or all outstanding Scheduled Deliveries under this Section 16(b), then Insulet shall have the same financial responsibility to Supplier with respect to materials, components, WIP and finished goods as Insulet would have in the case of a Cancellation for Convenience by Insulet and that Insulet would have in the case of Insulet discontinuing the purchase of Products.

c. By Either Party . In the event that either Party:

i. becomes insolvent, has a receiver appointed, files voluntarily under the bankruptcy laws, is filed against involuntarily under the bankruptcy laws and such filing is not dismissed within sixty (60) days, or is prohibited by regulatory authorities, law or court action from performing its material obligations hereunder;

ii. commits a material breach of this Agreement which is not capable of being cured, or

iii. fails to cure any material breach under this Agreement (other than a breach covered by Sections 16(a) or (b) above) within [*] ([*]) days after written notice from the other Party that such breach exists and that such other Party will terminate this Agreement if such breach is not cured,

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then the other Party may terminate this Agreement effective upon written notice to the Party to whom one of the above events or circumstances applies.

d. Final Order. In addition, upon payment by Insulet of all outstanding amounts due and owing, and subject to the payment terms set forth herein, unless otherwise agreed to by the Parties, (i) Supplier shall upon Insulet's request manufacture another [*] ([*]) months continuous supply of Product, based on the previous forecast period average, or such other amount as agreed to by the Parties, at the prices in effect at termination (" **Final Order** "). Insulet shall purchase all Product manufactured by Supplier under this Final Order and such Products will be invoiced and delivered during such [*] ([*]) month period as requested by Insulet. In addition, if Insulet terminates the Final Order, Insulet shall be liable for Products, WIP, material and components under the terms of Section 15.

17. Warranty . Supplier shall provide the following Product Warranty and Automation Equipment Warranty (as defined below, and collectively, the " **Warranty** "):

a. Product Warranty . Supplier warrants that, at the time of delivery to Insulet and for [*] ([*]) months from the date of delivery to Insulet (the " **Product Warranty Period** "), Products will (i) [*] and (ii) [*], except with respect to [*] which are [*] for which Supplier makes no warranty other than [*] (" **Product Warranty** "). Supplier agrees to pass along any and all warranties from services, and component and material vendors with respect to any components, materials or services included in the Products. To the extent that Supplier breaches any of the warranties contained herein, Supplier shall [*]. Supplier shall pay or reimburse Insulet for shipping charges to return Non-conforming Products and shipping charges on replacement Products. Supplier shall ship replacement Products for Non-conforming Products [*] at Supplier's expense. In the event no defect is found, Insulet shall bear the cost of shipping and expedites, if applicable. For purposes of this Agreement: " **Non-conforming Products** " are Products that fail to conform to the Specifications or to the requirements of the Quality Agreement.

b. Automation Equipment Warranty . Supplier warrants that, at the time of acceptance and delivery to Insulet and for [*] ([*]) months from that date of delivery (the " **Automation Equipment Warranty Period** "), the automation equipment owned by Insulet listed on Exhibit G (the " **Automation Equipment** ") will (a) [*] and (b) [*], except with respect to [*] for which Supplier makes no warranty other than [*] (" **Automation Equipment Warranty"**). To the extent Supplier actually receives from a third party supplier of equipment or manufacturing services the benefit arising from said supplier's warranty obligations related to its equipment or manufacturing services, Supplier shall transfer such benefit to Insulet (without any actual liability for such vendor's warranty obligations).

c. Affected Products . In the event that Supplier supplies any Non-conforming Products to Insulet (including those in transit), and those Products have been resold by Insulet or incorporated into finished Insulet products or WIP (the " **Affected Products** "), and to the extent the Affected Products are as a result of a breach of the Product Warranty (excluding the [*] ([*]) month Product Warranty Period which is replaced by the [*] ([*]) month period in this paragraph), within [*] ([*]) months from their respective dates of

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delivery from Supplier for said Affected Products: (i) Supplier shall [*], (ii) Supplier shall [*], and (iii) Supplier shall [*] subject to the cap on liability in Section 19(d).

Within [*] ([*]) manufacturing days after Supplier receives notification of a proposed warranty return by Insulet, Supplier shall issue a RMA number to Insulet to facilitate return of the products (issuance of the RMA number is procedural only and is not an admission that the Product has a covered defect or non-conformity). If the RMA number is not received in that time, Insulet may return the Product to Supplier without a RMA number, consistent with Section 11 above. Insulet shall ensure all Products returned to Supplier for investigation or other services are decontaminated and free of bio-hazardous material prior to shipment to Supplier, and that all mutually agreed documentation and/or certification of such decontamination accompanies the Products returned. Supplier agrees to provide a root cause analysis and corrective action for all warranty claims.

Supplier further represents and warrants that (x) Supplier has the know-how and expertise to provide Insulet, and/or any of Insulet's affiliates, with the services necessary and required to deliver the Products supplied pursuant to this Agreement, and (y) Supplier will perform the services required hereunder in a professional and efficient manner, using due care, skill, diligence and at a level equivalent to industry standards and practices.

EXCEPT AS PROVIDED IN THIS SECTION 17, SUPPLIER MAKES NO WARRANTIES WITH RESPECT TO THE PRODUCTS, AUTOMATION EQUIPMENT OR ITS SERVICES HEREUNDER, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES RESPECTING NONINFRINGEMENT, OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY IMPLIED WARRANTIES ARISING FROM A COURSE OF PERFORMANCE, A COURSE OF DEALING, OR TRADE USAGE. SUPPLIER MAKES NO WARRANTY WITH RESPECT TO SOFTWARE THAT IS PROVIDED BY INSULET OR SOFTWARE THAT IS SELECTED BY INSULET AND SUPPLIED BY A THIRD PARTY (EXCEPT THAT THE SOFTWARE IS WHAT INSULET SELECTED); ALL SUCH SOFTWARE IS OTHERWISE PROVIDED "AS IS".

18. Field Performance; Quality Upgrades and Corrections .

a. General . The Parties will identify aspects of the Products that can benefit from improvement including manufacturing changes and hardware and/or software changes. In addition, there may be aspects of the Products that will require correction. This Section 18 specifies the Parties' responsibilities and the actions to be taken in respect to such improvements and corrections.

b. Improvements and Corrections .

i. Improvements . Either party may request that Supplier incorporate engineering changes into the Product or Specifications pursuant to Section 3(c) above. Supplier shall proceed with engineering changes when the parties have agreed upon the changes to the Specifications, delivery schedule and adjustments to the pricing, and Insulet has agreed to reimburse Supplier the implementation costs and adjust Product pricing, as applicable.

ii. Corrective Actions. In the event a corrective action is required to address a Product issue, safety hazard or regulatory violation, upon the agreement of the Parties,

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Supplier will take immediate steps approved by Insulet to correct the problem for future production of the Product and for all existing units of the Product (in either Party's inventory/WIP, in transit, and in the field) . For units in the field, Insulet shall be the primary point of contact for its customers. If the problem is due to Supplier's Responsibility (as defined below), then Supplier shall be required to take all the steps set forth in Section 17(c) above, at Supplier's expense. If the problem is due to Insulet's Responsibility (as defined below), then Supplier shall take all the steps set forth in Section 17(c) above to the extent the Affected Products are within Supplier's control, and Insulet shall reimburse Supplier's costs of taking these steps. For purposes of this Section 18(b)(i):

" **Supplier's Responsibility** " shall consist of any of the following: [*****]; and

" **Insulet's Responsibility** " shall consist of any of the following: [*****].

If the Parties are jointly responsible for the problem or root cause is unable to be determined, then the costs of the steps described in Section 19(a)(i) through (iii) below shall be equitably apportioned between Supplier and Insulet based on the Parties' comparative fault.

iii. Minor Impact . If any aspect of the manufacture, for which Supplier is responsible, is such that a Product does not conform to the Specification but such non-conformance does not significantly reduce the value of the Product or products used with it to the end-user and does not constitute a safety hazard or regulatory violation, then the Parties shall take reasonable steps to identify changes to the manufacture that, upon approval of Insulet, can be implemented in future production, including future releases of the Product, and will then carry out such steps pursuant to Section 3(c) above.

19. Indemnification; Limitations of Liability .

Supplier shall defend, indemnify and hold Insulet and its subsidiaries, affiliates, officers, directors, employees or agents harmless against claims, liabilities, losses, costs and expenses (including reasonable attorneys' fees) with respect to a claim by a third party arising from death or bodily injury caused by the Non-conforming Product or negligent or intentional acts or omissions of Supplier or its officers, employees, subcontractors or agents, subject to the limitations set forth in Section 21(e); provided however, that Supplier shall have no obligation to indemnify Insulet to the extent the claim against Insulet is a claim for which Insulet must indemnify Supplier under Section 19(c) below.

a. Insulet shall defend, indemnify and hold Supplier and its subsidiaries, affiliates, officers, directors, employees or agents harmless against claims, liabilities, losses, costs and expenses (including reasonable attorneys' fees) with respect to a claim by a third party arising from death or bodily injury caused by a Product or the negligent or intentional acts or omissions, of Insulet or its officers, employees, subcontractors, subject to the limitations set forth in Section 21(e); provided however, that Insulet shall have no obligation to indemnify Supplier to the extent the claim against Supplier is a claim for which Supplier must indemnify Insulet under Section 19(b) above.

b. In no event shall Supplier be liable for (i) Product design deficiencies (ii) malfunctions, defects, or failures resulting from misuse; abuse; accident; neglect; improper installation, operation or maintenance; theft; vandalism; acts of God; power failures or surges; casualty; or alteration, modification, or repairs by any party other than Supplier, (iii) defects in third party materials or components incorporated into the Products or services performed by third parties specified by Insulet, unless the presence of the defective component or material in the Product, or defect in services performed by third parties specified by Insulet, delivered to Insulet is due to Supplier's failure perform tests required by the Specifications; and (iv) a defect that would have been discovered by Supplier prior to shipment of the Product to Insulet but for the fact that Insulet directed Supplier to ship the Product without performing the test (which Supplier was otherwise required to perform) that would have led Supplier to discover the defect.

c. IN NO EVENT, WHETHER AS A RESULT OF BREACH OF CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, OR OTHERWISE, SHALL EITHER PARTY OR THEIR RESPECIVE AFFILIATES BE LIABLE FOR ANY INCIDENTAL DAMAGES, EXEMPLARY DAMAGES, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS), OR LOSS OF BUSINESS, RECORDS, DATA, USE, REVENUE, OR ANTICIPATED SAVINGS, OR OTHER ECONOMIC LOSS, WHETHER OR NOT THE PARTY WAS INFORMED OR AWARE OF THE POSSIBILITY OF SUCH DAMAGES OR LOSS AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY REMEDY; PROVIDED, HOWEVER, THAT THIS SECTION 19(e) IS NOT INTENDED TO AND DOES NOT OVERRIDE THE EXPRESS PROVISIONS OF SECTIONS 10, 17, 18, 19 AND 21 TO THE EXTENT SUCH PROVISIONS PROVIDE FOR REMEDIES WHICH WOULD BE OTHERWISE LIMITED BY THIS SECTION 19(e).

d. SUPPLIER'S TOTAL LIABILITY TO INSULET HEREUNDER SHALL BE SUBJECT TO AN AGGREGATE CAP IN ACCORDANCE WITH THE FOLLOWING: THE TOTAL, AGGREGATE AND CUMULATIVE LIABILITY OF SUPPLIER, IF ANY, FOR DAMAGES FOR ALL CLAIMS UNDER THIS AGREEMENT OF ANY KIND WHATSOVER, REGARDLESS OF LEGAL THEORY, AND WHETHER ARISING IN TORT OR CONTRACT, SHALL NOT EXCEED AT ANY GIVEN TIME AN AMOUNT DETERMINED AS FOLLOWS: (I) WITH RESPECT TO CLAIMS RESULTING FROM SECTION 17(C), [*] AND (II) FOR ANY OTHER CLAIM, [*]. NOTWITHSTANDING THE FOREGOING, THE CAP SET FORTH IN THE PREVIOUS SENTENCE SHALL NOT APPLY TO LIMIT (I) INSULET'S OR ITS AFFILIATES OR OTHER HIGHER LEVEL SUPPLIERS OBLIGATION HEREUNDER FOR PAYMENTS FOR PRODUCT, MATERIALS OR OTHER CHARGES, (II) A PARTY'S OBLIGATION HEREUNDER TO INDEMNIFY THE OTHER PARTY; (III) A PARTY'S OBLIGATION OF CONFIDENTIALITY IN SECTION 21(A); (IV) A PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT; OR (V) SUPPLIER'S WARRANTY OBLIGATIONS IN SECTION 17 HEREUNDER.

20. Insurance . Throughout the Term of this Agreement, Supplier shall carry (a) Commercial General Liability Insurance in a minimum amount of US$[*] Combined Single Limit, Bodily Injury and Property Damage and (ii) Product Recall insurance covering the actual costs sustained in recalling

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defective product but no event less than US$[*] per recall, in each case naming Insulet as an additional insured. Insurance to be maintained by Supplier pursuant to the provisions of this Section 20 shall provide written notice to Insulet [*] ([*]) days in advance of any termination or cancellation of insurance required hereunder, unless Supplier obtains substantially similar coverage under a new policy that meets the requirements of this Section 20. Upon the request of Insulet from time to time during the Term of this Agreement, Supplier shall provide Insulet with a certificate evidencing such insurance coverage.

21. Proprietary Information; Intellectual Property .

a. Proprietary Information .

(i) Any information which a party shall obtain regarding the other party in connection with this Agreement (" **Proprietary Information** ") shall be maintained in confidence by the receiving party and shall not be used by the receiving party or disclosed to a third party except with the disclosing party's prior written consent. The receiving party shall only disclose the other party's Proprietary Information to those of its employees who need to know such Proprietary Information in order for the receiving party to fulfill its obligations hereunder. Receiving Party hereby agrees that any of its responsible officers, Affiliates, consultants, contractors and employees to whom Confidential Information is disclosed shall be advised that such information is confidential and shall be instructed not to disclose any of such information to any third party or to any non-authorized employee without first obtaining the prior written consent of the Disclosing Party. Receiving Party agrees to be responsible for the compliance with this Agreement by its responsible officers, Affiliates, consultants, contractors and employees. The confidentiality obligations in this section shall not apply to Proprietary Information which (a) becomes public other than through the receiving party, (b) is already known to the receiving party as evidenced by its written records, (c) becomes known by the receiving party in the future from another source which is under no obligation of confidentiality to the disclosing party, or (d) is subsequently developed by the receiving party in a manner which it can establish was independent of the disclosure hereunder. The obligations of Supplier and Insulet pursuant to the provisions of this section shall survive termination of this Agreement for a period of [*] ([*]) years.

(ii) In the event that the recipient of Proprietary Information is requested or becomes legally compelled to disclose any of the Proprietary Information (whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process or otherwise), such recipient party will provide the disclosing party with prompt notice, to the extent practicable, so that the disclosing party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this section related to confidentiality. In the event that such protective order or other remedy is not obtained, the disclosing party agrees that such disclosure may be made without liability hereunder; provided that the recipient party (a) furnishes only that portion of the Proprietary Information which the recipient party is, in the opinion of its counsel, legally required to disclose, and (b) uses its reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Proprietary Information.

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(iii) Neither party hereto shall make, or permit any of their respective directors, officers, employees, agents, advisors, affiliates or representatives to make any press release, public announcement or other public disclosure with respect to the existence of this Agreement or the terms hereof without the prior consent of the other party hereto.

b. Intellectual Property . Each party's intellectual property including without limitation any patents, trade secrets, processes, know-how, copyrights, trade dress, trademarks and/or trade names shall remain their exclusive property and except as provided in Section 21(g) below, nothing herein shall be construed as transferring any right, title or interest of any kind or nature whatsoever thereto to the other party hereto. Furthermore, Supplier hereby agrees that the Specifications are owned exclusively by Insulet and nothing herein shall be construed as transferring any right, title or interest of any kind or nature whatsoever thereto to Supplier. Except as specifically provided herein, neither party shall use in any way, the intellectual property of the other party, and will not do any act which would in any way infringe upon or be in derogation of the validity of such other party's intellectual property and will notify the other party of any conflicting claims that challenge any intellectual property of such party that it is aware of.

c. Infringement Indemnification by Supplier . Supplier will indemnify and defend, at its expense, any suit or proceeding against Insulet, and any of its subsidiaries, affiliates, officers, directors, employees or agents, in a court of competent jurisdiction for infringement of patents, copyrights, trade secret rights or other intellectual property rights by Products purchased hereunder (an " **Infringement Action against Insulet** ") but only to the extent that such Infringement Action against Insulet is based on one or more of the following: Supplier's manufacturing processes; Supplier's off-the-shelf components where Supplier owns and controls the design of such components; [*]. Supplier shall pay all damages and costs awarded against Insulet because of infringement covered by this indemnification by Supplier.

d. Infringement Indemnification by Insulet . Insulet will indemnify and defend, at its expense, any suit or proceeding against Supplier, any of its subsidiaries, affiliates, officers, directors, employees or agents, in a court of competent jurisdiction for infringement of patents, copyrights, trade secret rights or other intellectual property rights by Products purchased hereunder (an " **Infringement Action against Supplier** ") except to the extent that such Infringement Action against Supplier is based on one or more of the circumstances listed in Section 21(c) above. Insulet shall pay all damages and costs finally awarded against Supplier because of infringement covered by this indemnification by Insulet.

e. Limitations . Each Party's duties under Sections 19(b) and (c) and 21(c) and (d) above are conditioned on the Party claiming indemnification giving the indemnifying Party prompt written notice of commencement of any suit or proceeding or any written claim of infringement and furnishing to such indemnifying Party a copy of each communication relating to the alleged infringement and giving to such indemnifying Party all authority (including the right to exclusive control of defense of any such suit or proceeding), information and assistance (at such indemnifying Party's expense) necessary to defend or settle such suit or proceeding. An indemnifying Party shall not be bound by any settlement made without such indemnifying Party's prior written consent.

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f. Software/firmware . Insulet retains all right, title and interest in and to any software and/or firmware contained in the memory devices to be included in Products purchased hereunder, which Supplier will be purchasing, preprogrammed, from Insulet's approved supplier. Insulet grants Supplier a perpetual, non-exclusive, world-wide, royalty-free license to use such software/firmware in the Products produced for Insulet.

g. License. [*].

22. Short Supply/End of Life Components, Material, Software and Firmware .

a. Should any material or component be in short supply so that Supplier's needs exceed market availability, then Supplier agrees that, with respect to material purchased or ordered specifically for manufacture of the Products, Supplier will not utilize such material for other than the manufacture of Products for Insulet. In addition, any such component or material that has been paid for by Insulet or has been acquired at the specific request of Insulet shall be used only to manufacture Products for Insulet.

b. Should any material, component software or firmware be discontinued or set for end of life by the applicable vendor, Supply hereby agrees to use commercially reasonable efforts to provide Insulet with no less than [*] ([*]) months' notice of such event as available by material suppliers. Supplier agrees to purchase sufficient quantities of the foregoing in order to supply Insulet Products as agreed to by the Parties. In addition, Supplier agrees to work with Insulet in order to find a replacement which meets the form, fit and function set out in the Specifications of such end of life component, material, software or firmware. (Such replacements of end of life materials, components, software and firmware are subject to the applicable change order procedures of the Quality Agreement.) In the case of software and firmware, any replacement pursuant to this Section shall be backward compatible. Furthermore, Supplier shall include such a provision in all of its contracts with its component and material vendors who are providing parts for inclusion in the Products.

23. Accurate Documentation . Supplier understands that in order to have efficient administration of incoming shipments and the manufacturing process, it is essential that Supplier provide complete and accurate documentation and labeling in accordance with this Agreement, including without limitation, the Specifications and Quality Agreement. Failure to provide complete and accurate documentation and labeling shall be considered a breach of the Agreement pursuant to Section 16.

24. Force Majeure . The obligations of the Parties shall be subject to, and waived during the continuance of, any cause constituting force majeure which herein shall be defined as any cause beyond the reasonable control of a Party which prevents or hinders the performance of such Party and shall include, without limitation, acts of God, acts of terrorism (whether actual or threatened), governmental intervention and labor strikes. Financial or commercial difficulties shall not be considered as force majeure. In the event that any force majeure condition may delay shipment of Products by Supplier, Supplier shall promptly inform Insulet of the expected delay.

25. Compliance with Laws . Where applicable, all shipments hereunder shall be made in accordance with the federal Hazardous Materials Transportation Control Act and regulations thereunder. Supplier guarantees that no article or material manufactured to Specifications delivered hereunder will be adulterated or misbranded upon delivery under 21 USC Sections 351, 352 and 355 or 15

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USC Sections 1261-1276, as amended, and shall not otherwise be prohibited from introduction into interstate commerce under 21 USC 331, 15 USC 1263, as amended, or similar state or municipal laws, and Supplier guarantees that, where required, the manufacture of any article or material shall have been consistent with 21 CFR Sections 800-895, as amended.

26. Assignment . Neither this Agreement nor any Purchase Order or rights hereunder may be assigned by either Party without the prior written consent of the other Party, and any attempted assignment without such consent shall be void; provided , however , that either Party may assign this Agreement to any successor entity or to a subsidiary or affiliate or to a purchaser of the business unit to which this Agreement relates provided that any such assignment shall be subject to reasonable credit conditions in light of the creditworthiness of the assignee and, with respect to assignment by Supplier, such right to assign shall be subject to the assignee satisfying reasonable vendor qualification standards, including quality audit. Also, if any of the business units of Insulet that are purchasing hereunder are sold or otherwise divested from Insulet, then the new owner of such business unit may, subject to reasonable credit requirements, for up to [*] ([*]) months (but not beyond the scheduled expiration without renewal of this Agreement), continue purchasing from Supplier, solely for the benefit of such business unit(s) and under the same prices, terms and conditions that would apply under this Agreement, such Products as such business unit(s) was (were) previously purchasing under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Notwithstanding the foregoing, Supplier may subcontract, delegate or assign some or all of its rights and obligations under this Agreement to an Affiliate of Supplier to perform the Services or to a third party financial institution for the purpose of receivables financing (e.g., factoring); provided , however , in each, Supplier shall remain liable to Insulet for the performance of its obligations hereunder.

27. Severability . Should any provision of this Agreement be finally determined to contravene any applicable law or governmental regulation, thereupon such provision shall be automatically terminated and performance thereof by both Parties waived, or should such provision be reasonably considered by either Party to be an essential element of this Agreement, the Parties hereto shall negotiate a new provision. If the Parties are unable to agree in writing upon the terms of such new provision within [*] ([*]) days of the contravening provision's termination, then the entire Agreement will terminate automatically thereupon.

28. Notices . Any notice given hereunder shall be deemed given at the times set forth in this Section 28 if sent, all charges prepaid, to the Parties at the addresses set forth at the beginning of this Agreement and to the attention of the persons indicated below (or the persons who succeed to those persons' functions). A Party may change the address to which notices must be sent, or the person to whose attention they should be directed, by giving notice hereunder to the other Party. The times at which notices will be deemed given are: three (3) business days after being sent by certified or registered mail, return receipt requested; two (2) business days after being sent by recognized courier; or immediately upon receipt by personal delivery. The designated persons to whom notices should be directed are:

Flextronics Medical Sales and Marketing, Ltd. Chuck Alpuche, or successor
Level 3, Alexander House 35 SVP, Global Operations and Manufacturing
Cybercity, Ebene, Mauritius Insulet Corporation
Attn: General Counsel 600 Technology Park Drive, Suite 200
Billerica, MA 01821

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With a copy to:

Flex
6201 America Center Drive
San Jose, CA 95002, USA
Attn: General Counsel

With a copy to:

General Counsel
Insulet Corporation
600 Technology Park Drive, Suite 200
Billerica, MA 01821

With a copy to:

Flex
6201 America Center Drive
San Jose, CA 95002
Attn: FlexMedical President

29. Choice of Law; Attorneys' Fees . This Agreement and all orders hereunder shall for all purposes be governed exclusively by New York law (excluding choice of law rules). IN THE EVENT OF ANY DISPUTE BETWEEN THE PARTIES, WHETHER IT RESULTS IN PROCEEDINGS IN ANY COURT IN ANY JURISDICTION, THE PARTIES HEREBY KNOWINGLY AND VOLUNTARILY, AND HAVING HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL, WAIVE ALL RIGHTS TO TRIAL BY JURY, AND AGREE THAT ANY AND ALL MATTERS SHALL BE DECIDED BY A JUDGE WITHOUT A JURY TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW. To the extent applicable, in the event of any lawsuit between the parties arising out of or related to this Agreement, the parties agree to prepare and to timely file in the applicable court a mutual consent to waive any statutory or other requirements for a trial by jury.

30. Miscellaneous . A Party's failure on any occasion to insist on strict performance of any term or condition hereof shall not constitute a waiver of compliance with such term or condition on any other occasion or a waiver of any default. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original and all of which together shall be deemed the same instrument. All Products furnished by Supplier hereunder shall be free of all liens and encumbrances, and at Insulet's request, Supplier shall deliver to Insulet a release of all liens or other evidence thereof satisfactory to Insulet. This Agreement may only be modified or amended in writing signed by an authorized representative of each party.

31. Exhibits . The following Exhibits are attached hereto and made a part of this Agreement:

Exhibit A --- Products & Prices
Exhibit B --- Flexibility Table
Exhibit C --- Supply Chain Profile Requirements
Exhibit D --- Quality Agreement
Exhibit E --- Performance Measurements
Exhibit F --- Terms and Conditions for Tooling
Exhibit G --- Automation Equipment

32. Clauses Incorporated by Reference . This Agreement incorporates CFR 52.212-5(e)(1) of the Federal Acquisition Regulation by reference, with the same force and effect as if it were given in full text herein. Insulet agrees to notify Supplier in writing [*] ([*]) days prior to ordering any Product for

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the purpose of any U.S. government contract, and where Insulet provides Supplier with such notification pursuant to the notification provisions of this Agreement, Supplier agrees to comply with the applicable provisions of the Federal Acquisition Regulation (FAR) and other legal requirements applicable to a U.S. government subcontractor, provided that Insulet communicates such FAR provisions and other requirements to Supplier in writing.

[Signatures appear on following page.]

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The Parties agree to the terms and conditions of this Agreement and have caused this Agreement to be executed as of September 1, 2016.

INSULET: SUPPLIER:

INSULET CORPORATIONFLEXTRONICS MEDICAL SALES AND MARKETING, LTD

By _____ By _____

_____ _____
(Print name) (Print name)

_____ _____
(Print title) (Print title)

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EXHIBIT 10.1

MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit A

PRODUCTS AND PRICES

A. Products:

1. Finished Pod Assemblies

Drawing	Description	Family
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod
[*]	[*]	[*] pod

1. Finished PDMs

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Drawing	Description	Family
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM
[*]	[*]	PDM

The Parties agree that PDMs shall be priced on the basis of [*] . Supplier shall submit to Insulet [*] that shall be used [*] .

2. [*]

Supplier and Insulet agree to the following [*] . Insulet intends to [*]:

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		[*]			
Drawing	**Description**	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]

		[*]		
Drawing	**Description**	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]

3. [*] Pricing Process for [*] :

This Section A4 only applies to those [*] listed in Section [*] of this Exhibit A. Unless otherwise agreed to in writing by the Parties, pricing shall be [*] each requested Product. [*], the Parties will determine [*]. Pricing shall be in US dollars using the applicable exchange rate as stated by [*].

Definitions:

" [*] " or " [*] " shall mean the [*].

" [*] " shall mean the [*].

" [*] " shall mean the [*].
" [*] " shall mean the [*] , including but not limited to, [*].

" [*] " shall mean all other [*] . [*] include but are not limited to [*].

" [*] " shall mean all [*] specifically required to [*] , to arrive at the [*].

[*] according to the following process:

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1. [*] shall be reviewed [*].

2. Insulet shall review the [*] and provide feedback, if any, to Supplier.

3. Supplier shall revise the [*].

4. Insulet shall review the [*] and provide feedback, if any, to Supplier, within [*] business days of receipt.

4. For each Product requested by Insulet, Supplier shall provide Insulet [*] :

   [*] = [*].

   a. [*] shall be payable for each [*] . These values to come from the [*].
   b. [*] shall match the [*].
   c. [*] shall be [*]% unless otherwise mutually agreed by the Parties in writing.
   d. [*] shall be [*] % unless otherwise mutually agreed by the Parties in writing. [*] % [*] is offered on the understanding that [*] % [*] for those part numbers specified in the above [*] Section B of this Exhibit A, from Supplier. In the event that Insulet fails to [*] for a period of more than [*], Supplier may [*].
   e. [*] shall be billed [*] until the Parties mutually agree that [*] will be included in [*].

5. [*] pursuant to this Section must be submitted to Insulet by the [*] . In the event that Insulet believes that [*] , Insulet shall provide notification of such disagreement in writing within [*] business days to its Supplier Relationship Manager or any of his/her superiors. The two Parties shall then review. In the event that the two Parties cannot agree within 3 business days, the [*] . Once the dispute is resolved (following, if necessary, Insulet's administration of its [*]), a credit shall be paid to Insulet for any amounts overcharged by [*] or Insulet shall pay an invoice for any amounts undercharged by [*] .

6. Insulet shall issue a [*] , pursuant to the submitted [*] , before the end of [*]

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MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit B

FLEXIBILITY TABLE
MAXIMUM ALLOWABLE VARIANCE FROM SCHEDULED DELIVERIES

Zone	Insulet Commitment Level	# of days before Scheduled Delivery Shipment Date	[*]	[*]	[*] *
1 ("[*]")	[*]	[*]	None	None	None
2 ("[*]")	[*]	[*]	[*]**	[*]%	[*]
3 ("[*]")	[*]	[*] or more	[*]%***	[*]%	[*]

*Insulet may delay a Scheduled Delivery [*] provided the [*] does not exceed the [*].
**Supplier shall use commercially reasonable efforts to [*].
***Except to the extent precluded by [*] as set forth on the applicable [*].

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MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit C

SUPPLY CHAIN PROFILE REQUIREMENTS

1) [*] shall contain information classified under the following headings:

[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]
[*]

2) Supplier shall advise Insulet of the [*] for each [*]. [*]shall be the subject of a [*]by both Parties. [*] include without limitation:

(a) [*] is a component that can be [*] or can be used on [*]. Insulet does not accept [*].

(b) [*] is a component that is [*] or is [*] and cannot be [*] or any other [*].

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EXHIBIT 10.1

MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit D

QUALITY AGREEMENT

See Attached

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MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit E

PERFORMANCE MEASUREMENTS

Monthly [*] **:**

[*]: Achievement of [*] (which would be aligned with [*])

[*] : Achievement of [*] against agreed upon standard

[*]: [*]

[*] **Metrics:**

See attached Appendix I

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MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit F

TERMS AND CONDITIONS FOR TOOLING

The following terms and conditions shall incorporate and include [*] (provided by Insulet to Supplier and updated from time to time) and apply to all [*] (" **Tools** ") maintained by or ordered from Supplier or provided to Supplier by Insulet for use in production or testing of parts or products for Insulet. Any exceptions, changes or additions to these Terms and Conditions must be agreed in writing by Insulet and the Supplier. The "Parts" refer to the parts to be manufactured or tested with the Tools.

1.0 Purchase of New Tooling; Modifications

1.1 Request for Quotation . As a preliminary step to ordering a Tool or modifications to a Tool, Insulet will issue a "Request for Quotation" (" **RFQ** "). The RFQ must be consistent with the requirements of the [*] and may include, among other things:

(a) Specifications, including [*], for the Part that will be manufactured with the Tool;
(b) Additional specifications for the Tool or modifications, if applicable (including, if applicable, [*]);
(c) Life of the Tool (or modified Tool)-- [*];
[*]
(d) Payment ;
(e) [*]; and/or
(f) Required Build Schedule (including delivery date for [*] and, if applicable, for [*], all as defined in Section 1.5 below)

If the RFQ omits any of the above items, then the Supplier shall include such items in the Quote.

1.2 Quote . The quote (the " **Quote** ") from the Supplier shall include at least the following:

(a) Price, which at a minimum shall include;
(b) Quote must be supplied on [*] provided in the [*]
(c) All Insulet specified samples required at each stage in the tool design and approval process
(d) [*] quantity of spare parts
(e) Responsibility for all tool maintenance throughout the tool life

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(f) Preliminary design description, including fundamental approaches to be taken in the final design;

(g) Build schedule (including delivery dates for [*] samples at various stages in the tool build schedule);

(h) Proposed subcontractors, if any;

(i) Life of the tool -- [*];

(j) Quantity of Spare parts, but [*]; and

(k) The location at which the tool will be produced and the location at which it will be kept for production use.

All requirements contained in the RFQ will be deemed included in the Quote, except for items that are expressly rejected or contradicted by the Quote.

1.3 Order; Further Procedures . If Insulet accepts the Quote and places an order, the order will be subject to [*] (unless otherwise indicated in the RFQ or the Quote), which must be [*]. The price applicable to the order shall be [*], subject to [*]. All price changes are subject to [*].

The order shall reference the RFQ and the Quote. If the order contains any terms that are additional to or different from the Quote (including RFQ requirements that are deemed included in the Quote), then such additional or different terms shall be subject to approval by Supplier.

1.4 Design . The proposed definitive design (to be submitted for approval under Section 1.3 above) shall include:

(a) Detailed tooling drawings;
(b) Maintenance requirements;
(c) Secondary operations required;
(d) Proposed subcontractors; and
(e) Explanation of any proposed price adjustments.

1.5 [*]. [*] shall be submitted with: (a) [*]; and (b) [*]. Once the schedule is jointly agreed, the Supplier shall notify Insulet of any changes in the schedule throughout the tool design cycle since Insulet may participate in a site inspection if Insulet so desires. Also, prior to Supplier's submission of [*]to Insulet, Supplier may (if the Parties so desire) submit [*] that are intended for the purpose of determining whether [*], but that may not be suitable for [*] because they do not [*].

1.6 [*]. Supplier shall supply [*] to Insulet upon completion of the Tool or modifications and acceptance of [*].

1.7 Payment . All payments are per the payment terms in the MSA and shall align with the payment schedule as follows; [*]% @ [*],[*]% at [*],[*]% @ [*],[*]% @ [*]. All payments will be subject to [*].

1.8 Cancellation for Convenience . In addition to Insulet's right to terminate a purchase order for default (under the terms of the purchase order and/or applicable law), Insulet may terminate a purchase order for Tools at any time for Insulet's convenience. In the event

of such cancellation for convenience, Supplier shall immediately stop work and Insulet shall pay Supplier the following (provided that the total shall not exceed [*]): (a) [*], but only for [*]; (b) [*]. In no event, however, shall such cancellation charges exceed [*].

1.9 Software . If the Tool contains any software or firmware created by Supplier, then, unless otherwise expressly provided in the Quote, Supplier [*], and Supplier shall provide to Insulet [*].

2.0 Use and Maintenance of Tooling .

2.1 General . Supplier shall use Tools only in the production of Parts for Insulet, and not otherwise except with Insulet's written consent. Supplier shall clearly mark all Tools with the Insulet part number and revision level assigned to the Part produced by the Tool and Insulet supplied Asset tags. As described in the [*]. All Tools shall remain the property of [*]and shall be [*] when they are [*]. Insulet shall at all times have the right to [*]. If Insulet requests the [*], then Supplier shall be [*].

2.2 Location of Tools . Except as provided below, the Tools shall be kept at the location specified in the Quote. Supplier may not move the Tools from that location unless Supplier first obtains Insulet's written consent to the move. The consent requirement includes moves from one Supplier facility to another. If the Tools are to be kept at a subcontractor facility, then Supplier shall obtain subcontractor's agreement not to move the Tools without Insulet's prior written consent, except for maintenance or repair of the Tools.

2.3 Maintenance of Tooling . Supplier shall exercise [*] all Tools. With respect to Tools purchased from Supplier under Section 1.0 above, Supplier shall [*], and follow, to assure that each Tool is [*], excluding any [*], which shall be borne by [*]. Supplier is responsible for the [*]. With respect to Tools furnished to Supplier by Insulet, Supplier shall [*], including [*], to assure that such Tools are [*], excluding any [*], which shall be borne by [*]. If such Insulet-furnished Tools require rework, upgrades or major refurbishment, Supplier shall [*]. After receiving [*] the rework, upgrade or refurbishment of Tools with Insulet asset tags, Supplier shall [*]. With respect to all Tools, if a Tool is nearing the end of its useful life and refurbishment is not practicable, Supplier shall give sufficient advance notice to Insulet to allow time to build replacement tools.

2.4[*]. Supplier shall maintain [*] (and shall provide Insulet with [*] on request).

2.5 Changes in Parts Specifications . If Insulet changes the Specifications for a Part, and these changes require a change in the related Tool, then [*]. Before making any change, Supplier shall notify Insulet of [*], as well as any impact on [*]. Supplier shall not proceed with any such change until it receives Insulet's written approval.

2.6 Mold Warranty. For any Tools which are molds, Supplier warrants that for [*] ([*]) months from the completion of such molds, or [*] cycles, whichever occurs first, all molds shall be [*]. Replacement mold parts are warranted to be [*] for a period of [*] days from the replacement date.

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EXHIBIT 10.1

MATERIALS SUPPLIER AGREEMENT DATED SEPTEMBER 1, 2016

between

INSULET CORPORATION ("Insulet")

and

FLEXTRONICS MEDICAL SALES AND MARKETING, LTD ("Supplier")

Exhibit G

LIST OF AUTOMATION EQUIPMENT

		L2	L3	L4		
Item	**Machine**	**Warranty (yr)**	**Warranty (yr)**	**Warranty (yr)**	**SAT/OQ**	**Expired**
1	[*]	[*]	[*]	[*]	[*]	[*]
2	[*]	[*]	[*]	[*]	[*]	[*]
3	[*]	[*]	[*]	[*]	[*]	[*]
4	[*]	[*]	[*]	[*]	[*]	[*]
5	[*]	[*]	[*]	[*]	[*]	[*]
6	[*]	[*]	[*]	[*]	[*]	[*]
7	[*]	[*]	[*]	[*]	[*]	[*]
8	[*]	[*]	[*]	[*]	[*]	[*]

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MASTER EQUIPMENT AND SERVICES AGREEMENT

WHEREAS:

A. ATS and its Affiliates are leading providers of design, development, manufacture and testing of automation technology and solutions for the world's leading manufacturers;

B. Insulet and its Affiliates are in the business of designing, manufacturing and marketing innovative medical devices; and

C. Insulet (and/or certain of its Affiliates) may, from time to time, desire to engage ATS (or an ATS Affiliate) for the design, development, manufacture and/or testing of such automation technology and/or solutions.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

Unless the context otherwise requires, the following capitalized terms have the following meanings:

" **Affiliate** " means any corporation or entity that: (a) is controlled, either directly or indirectly, by a party; (b) is under common control, either directly or indirectly, with the party; or (c) controls the party; where "control" means the ability to vote greater than fifty percent (50%) of the outstanding voting securities in or otherwise direct the management of a corporation or entity.

" **Changes** " has the meaning given to it in Section 8 (Changes).

" **Custom Software** " has the meaning given to it in Section 16 (Property Rights & Software Licenses).

"Customer" means Insulet or the Affiliate thereof which receives the Proposal from, and issues a Purchase Order to, the Seller.

"Customer Dependencies" has the meaning given to it in Section 7 (Customer Dependencies).

"Customer Designs" has the meaning given to it in Section 17 (Patents).

" **Customer Modifications** " means any modifications made to the Deliverables and/or the Additional Documentation (including without limitation any Custom Software) made by or on behalf of Customer by any party other than ATS.

" **Deliverables** " means any Product, Documentation and/or other items expressly identified in the Proposal and/or the Purchase Order to be provided by Seller to Customer.

" **Documentation** " means the specific documentation identified in the Proposal and/or the Purchase Order to be provided by Seller to Customer, forming part of the Deliverables, and expressly excludes any Seller Proprietary Technology.

" **Excusable Delay** " has the meaning given to it in Section 12 (Force Majeure Events and Excusable Delays).

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“ **FAT”** has the meaning given to it in Section 10(b) (Acceptance Testing).

“Force Majeure Events” has the meaning given to it in Section 12 (Force Majeure Events and Excusable Delays).

“Installation Site” means the site identified in the Proposal and/or the accepted Purchase Order as the location where the Products will be installed and operated by, or on behalf of, Customer.

“NDA” has the meaning given to it in Section 15 (Confidentiality).

“Power On” means that the Product has been mechanically and electrically assembled to the point where power is applied to the major mechanical and electrical systems and they are ready for software installation.

“ **Product** ” means any equipment identified in the Proposal and/or the Purchase Order to be provided by Seller to Customer, forming part of the Deliverables.

“ **Proposal** ” means the proposal issued by Seller to Customer, including all attachments to such proposal.

“ **Purchase Order** ” means a purchase order issued by Customer to, and accepted in writing by, Seller pursuant to this Agreement as contemplated by Section 3 (Scope of Agreement).

“ **Releasees** ” has the meaning given to it in Section 18 (Limitations of Liability and Remedies).

“ **SAT** ” has the meaning given to it in Section 10(c) (Acceptance Testing).

“Seller” means ATS or the Affiliate thereof which issues the Proposal to, and receives a Purchase Order from, the Customer.

“ **Seller Proprietary Technology** ” has the meaning given to it in Section 16 (Property Rights & Software Licenses).

“ **Seller Software** ” has the meaning given to it in Section 16 (Property Rights & Software Licenses).

“ **Services** ” means any services identified in the Proposal and/or the Purchase Order to be provided by Seller or its subcontractors to Customer, which may include general consulting services, design services, testing services, and installation services.

“ **Spare Parts** ” means the Product parts or components recommended by the Seller to be stocked at Customer’s facility for the operation or maintenance of the Deliverable. These parts typically include parts that are expected to wear and parts which are reasonably expected to break or fail during normal use.

“ **Specifications** ” means the design, functional and performance specifications relating to any Services and/or Deliverables set out in the Proposal, and/or otherwise mutually agreed upon between the parties in a written document signed by both parties.

“ **Standard Documentation Package** ” means the documentation identified in Schedule 3.

“ **Term** ” has the meaning given to it in Section 2 (Term of Agreement).

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" **Test Plan** " has the meaning given to it in Section 10(a) (Acceptance Testing).

" **Third Party Rights** " has the meaning given to it in Section 16 (Property Rights & Software Licenses).

Section references herein are references to Sections of this Agreement unless otherwise stated. The division of this Agreement into sections, subsections and paragraphs and any insertion of headings are for convenience of reference only and shall not affect the construction or interpretation thereof. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).

2. TERM OF AGREEMENT

This Agreement shall become effective on the Effective Date and shall terminate upon the expiration of five (5) years from the Effective Date, unless earlier terminated in accordance with the termination provisions below (the " **Term** "). At any time prior to the expiration or termination of this Agreement, the parties may agree by way of written amendment to either extend the Term of this Agreement or renew this Agreement on substantially the same terms and conditions as set out herein.

3. SCOPE OF AGREEMENT

During the Term of this Agreement, Customer may issue to Seller one or more Purchase Order(s) for the purchase of Deliverables and/or Services. The Purchase Orders shall reference this Agreement, and the terms and conditions of this Agreement are deemed to be incorporated into each and every Purchase Order issued by Customer. Any terms and conditions printed on the reverse or otherwise referenced or incorporated in or accompanying any invoice or other documentation issued by Seller or Purchase Order issued by Customer (other than those terms and conditions incorporated by operation of this Agreement) shall be void and of no force and effect other than provisions on the face of the Purchase Order referencing this Agreement and particularizing quantity, price and delivery dates/locations of Products. The Purchase Order shall also be deemed to include the technical and commercial terms of any Proposal provided by Seller in relation to such Purchase Order provided that such Proposal is specifically referenced therein unless otherwise expressly agreed. No Purchase Order shall be binding on Seller unless and until Seller sends a written acknowledgement to Customer confirming Seller's acceptance of the Purchase Order. In the event of conflict between terms, the documents shall have the following order of priority from highest to lowest – this Agreement, then the applicable Proposal, and finally, the applicable Purchase Order.

4. AFFILIATES

Should an Affiliate of a party to this Agreement enter into what would otherwise be a Purchase Order with the other party to this Agreement or an Affiliate of such other party, and should the parties to that Purchase Order reference this Agreement as governing such Purchase Order, then this Agreement shall apply to the same extent as if the parties to that Purchase Order were parties to this Agreement.

5. PROVISION OF SERVICES AND DELIVERABLES

Seller shall provide, and Customer shall purchase, the Services and Deliverables specified in the applicable Purchase Order in accordance with the terms and conditions of this Agreement.

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6. PRICE, PAYMENT AND TAXES

Customer shall pay Seller the price for the Services and the Deliverables in accordance with, and within the timeframes set out in, the accepted Purchase Order. All payments for Services and Deliverables shall be made without any set-off or deduction whatsoever. Unless otherwise expressly provided in the accepted Purchase Order, all payments for Services and Deliverables are due within [*]([*]) days of the date of the invoice issued by Seller therefor. Without limiting the remedies available to Seller as set out herein, Customer acknowledges that Seller may, at its sole option, suspend work under this Agreement during the pendency of delays in payment of undisputed overdue invoices by Customer that remain unpaid [*]([*]) days after Customer's receipt of written notice from Seller.

Unless the parties agree otherwise on a case-by-case basis, Seller shall invoice and Customer shall make payment based on the following milestone schedule:
(a) [*]% of [*] upon [*];
(b) [*]% of [*] at [*];
(c) [*]% at [*]; and
(d) [*]% at [*].

All prices for the Services and Deliverables are exclusive of all applicable federal, state/provincial or local taxes, unless otherwise expressly agreed by the parties in the Purchase Order. Customer shall pay the gross amount of any present or future sales, use, excise, value added, or other similar tax applicable to the price, sale, supply and/or delivery of any Service or Deliverable furnished hereunder. Customer shall furnish Seller with evidence of exemption from any such taxes acceptable to the taxing authorities. Customer shall assess and remit any applicable tax to taxing authorities not otherwise invoiced by Seller. If Seller agrees in the Purchase Order that any prices are inclusive of some or all taxes, notwithstanding any such agreement, any new taxes that become effective following the date of the Purchase Order, increases in the rate of tax that become effective following the date of the Purchase Order, and taxes that become payable due to a change in the delivery location of the Services and/or Deliverables following the date of Purchase Order, shall be for the account of and be paid in full by Customer.

7. CUSTOMER DEPENDENCIES

Unless otherwise stated in an accepted Purchase Order, Customer agrees to fulfill the following dependencies in relation to each Purchase Order (collectively, " **Customer Dependencies** "). In a timely manner, Customer shall, following reasonable notice provided by Seller to Customer:

(a) Provide Seller with:
- i) all necessary information;
- ii) access to Customer personnel and appropriate subject matter experts;
- iii) all required production quality sample parts (within the tolerances upon which the Proposal was prepared), reasonably required by Seller to design, manufacture, debug, test, install and commission the Product (and/or other Deliverables, as applicable);
- iv) clear and reasonable access to those portions of Installation Site required by Seller for installation, debug, commissioning and testing of the Product (and/or other Deliverables, as applicable) in a condition ready to receive the Product (and/or other Deliverables, as applicable); and
- v) cooperation of Customer's contract manufacturer (if any) in the event that the Products are operated by a contract manufacturer engaged by Customer, and/or are located in an Installation Site owned and/or operated by a contract manufacturer engaged by Customer;

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(b) Review for accuracy, completeness and conformance to this Agreement, any and all documents submitted by Seller to Customer for comment or approval, and advise Seller in writing of any material issues associated with such documents within [*] ([*]) business days of submission or resubmission.

If any Customer Dependencies are not met in a timely manner, Seller will not be responsible for any impacts to project schedule and such failure to provide Customer Dependencies shall constitute an Excusable Delay in accordance with Section 12 (Force Majeure Events and Excusable Delays).

8. CHANGES

Customer agrees to follow Seller's ISO procedures regarding the processing of changes in the design, process, materials and/or Specifications of or relating to the Services and/or Deliverables (collectively, " **Changes** "), and shall ensure that all Changes are properly approved by Customer's authorized personnel in writing. The Customer is responsible for and shall pay Seller all increased costs, including overhead and profit thereon, due to Changes. In the event that a design study is necessary or requested to estimate the cost of, or otherwise related to, a proposed Change, the schedule for all materials or components affected by such study shall be extended by a period of time equal to the hold time, if any, associated with such study, whether or not the Customer authorizes or approves the proposed Change. In respect of any requested Change, the Agreement price shall be increased or decreased by the amount agreed to in writing by Customer and Seller, and the Agreement schedule shall be extended or compressed by mutual agreement. Seller may decline any Change proposed by Customer, if Seller reasonably believes based on past experience and industry knowledge that the proposed Change will create a safety hazard if implemented. For clarity, the parties agree that a request by Customer to extend or compress the project schedule shall be treated by the parties as a Change.

9. EQUIPMENT SAFETY

Seller shall design and build the Product to comply with applicable occupational health and safety legislation and safety standards applicable to the Product as expressly referenced in the Proposal, or if there is no Proposal, in the accepted Purchase Order. Seller shall review equipment safety including guarding designs with the Customer at a design review meeting with the intent to address Product safety requirements relating to operator safety, particularly with respect to all pinch points and moving parts. Customer shall advise Seller of any required equipment safety or guarding changes no later than [*] ([*]) days following the date of such design review meeting. With respect to any Customer Modifications (as defined in *Schedule 1 – Access to Confidential and Proprietary Information*), Customer shall be solely responsible for the compliance of such Customer Modifications, and any impact therefrom on the Product, for applicable occupational health and safety legislation and safety standards.

10. ACCEPTANCE TESTING

The following provisions apply with respect to the acceptance of any Products (other than Products constituting spare parts, prototypes or proof of principle equipment, in respect of which no acceptance test will be required, except as otherwise set out in the Proposal, and/or as otherwise mutually agreed upon between the parties in writing):

(a) Within [*] ([*]) days following completion of design review for the Products, Seller and Customer shall agree in writing upon an acceptance test plan (" **Test Plan** ") setting out the criteria to be met, and the testing process to be employed, during the FAT (as defined below) and the SAT (as defined

below). Unless otherwise set out in the Proposal or mutually agreed between the parties in writing, the Test Plan will be conducted over a time period reasonable in the circumstances.

(b) A factory acceptance test (" **FAT** ") shall be performed at Seller's facility or such facilities of Seller's subcontractors as may be agreed upon in writing by the parties and shall commence within [*] ([*]) business days following notice from Seller to Customer confirming completion of the Products, or at such other time as may be agreed upon in writing by the parties. Such testing shall be carried out together by Customer and Seller in accordance with the Test Plan. The FAT shall be deemed successful when [*] the results of the testing are in compliance with the Test Plan's criteria, at which point the Products are authorized for shipment to the Installation Site.

(c) A Customer site acceptance test (" **SAT** ") shall be performed at the Installation Site within [*] ([*]) business days of the completion of installation of the Products at the Installation Site. Such testing shall be carried out together by Customer and Seller in accordance with the Test Plan. The SAT shall be deemed successful when [*] the results of the testing are in compliance with the Test Plan's criteria, at which point the Products have achieved final acceptance by the Customer.

(d) Seller shall carry out such remedial work as is necessary to achieve a successful FAT and SAT [*] , provided that any additional changes requested by Customer beyond those set forth in the Specifications may require additional charges which shall be determined by mutual agreement by both parties and reflected in a change order executed by the parties in accordance with Section 8 (Changes). Once remedial work is complete, the Products will be re-tested and this process shall continue until a successful FAT and SAT is achieved in accordance with this Section 10.

(e) In the event Seller and Customer are unable to agree upon a Test Plan within the time period provided for in sub-section (a) above, the parties shall immediately escalate the issue within their organizations.

11. DELIVERY, TITLE, AND RISK OF LOSS

Seller shall use commercially reasonable efforts to provide the Services and Deliverables in accordance with any schedule(s) set out in the accepted Purchase Order or as otherwise agreed upon in writing between the parties. All scheduled completion dates are based on current projections and on Customer meeting its obligations (including Customer Dependencies) and Seller shall not be liable for delays, including delays in completion or delivery, caused by any Force Majeure Event or Excusable Delay as set out in Section 12 (Force Majeure Events and Excusable Delays). Unless expressly otherwise provided in the accepted Purchase Order: (a) delivery will be made [*] facility (Incoterms 2010); (b) risks of loss of or damage to the Deliverables shall pass to Customer upon delivery in accordance with subsection (a) above; and (c) Seller shall not be responsible for [*], or similar charges, all of which shall be for the account of and paid by Customer. In the event Seller does agree to be responsible for any of the foregoing charges, notwithstanding any such agreement, any new such charges that become effective following the date of Seller's acceptance of the Purchase Order (including, without limitation, new customs, excise, or import duties), any increase in the rates of such charges becoming effective after the date of Seller's acceptance of the Purchase Order, and/or any increase in such charges resulting from a change in the delivery location for the Services and/or Deliverables after the date of the Seller's acceptance of the Purchase Order, shall be for the account of and paid by Customer.

12. FORCE MAJEURE EVENTS AND EXCUSABLE DELAYS

Neither party shall be liable for delays or non-performance as a result of causes outside of their reasonable control, including, without limitation, flood, fire, earthquake, war, invasion, terrorist threats or acts, riot or other civil unrest, government order or law, embargoes or blockades in effect after the date of this Agreement, or national or regional emergency (collectively, " **Force Majeure Events** "). The party suffering a Force Majeure Event shall promptly give written notice of the Force Majeure Event to the other party, stating the period of time the occurrence is expected to continue and shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized.

Seller shall not be liable for delays in transporting of the Products from Seller's facility to the Installation Site and/or delays at customs (unless caused by Seller), and/or acts or omissions of Customer, its Affiliates, or any of their respective employees, agents, subcontractors, consultants, contract manufacturers or suppliers or subcontractors that Customer directs Seller to engage (collectively, " **Excusable Delays** "), which includes but is but not limited to: (a) failure of Customer to reasonably perform or supply any Customer Dependencies; (b) failure of Customer to reasonably supply Seller with all necessary information, approvals, production quality sample parts, or other specified items required by Seller for the design, manufacture, completion, delivery, debugging, testing, installation, and/or commissioning of the Product; (c) failure or delay by Customer to timely approve or reject proposed Changes; (d) Changes made or proposed by Customer which result in additional time being required to design, manufacture, complete, deliver, debug, test, install and/or commission the Product; (e) failure or delay by Customer to timely provide the necessary release to Seller for delivery of the Product; (f) failure or delay by Customer to timely install the Product; (g) failure or delay by Customer or its contract manufacturer (if any) to release to Seller those portions of the Installation Site required by Seller for installation, debug, testing or commissioning of the Product; or (h) interference by Customer or Customer's contract manufacturer during installation, debug, testing or commissioning.

In the event of a Force Majeure Event or Excusable Delay, the project schedule (including any agreed upon dates for delivery or performance) shall be extended for a reasonable period of time at least equal to the time lost by reason of delay.

In addition, Seller shall be [*].

13. INSTALLATION, OTHER SERVICES, PERMITS, SPARE PARTS AND STANDARD DOCUMENTATION PACKAGE

Installation services are not included in the quoted price of the Product or other Deliverables, unless specifically shown as a separate item in the Proposal. If installation services are not shown as a separate item in the Proposal, such services may be provided to Customer upon request. If such installation services, or other services not specifically referenced in the Proposal, are requested by Customer and performed by Seller, such services and any deliverables provided in connection therewith shall constitute "Services" or "Deliverables" hereunder, as the case may be, shall be provided subject to and be governed by this Agreement, including the conditions, and unless otherwise agreed, shall be charged to Customer at the then current Seller standard prices for such services and deliverables. Standard working hours shall include travel time. Where overtime hours are required, any statutorily required overtime premium charges shall also be charged to the Customer. All payments for such installation services and deliverables shall be due within [*] ([*]) days of the date of the invoice issued by Seller therefor.

If installation Services are provided to Customer (whether referenced in the Proposal or provided as additional services as contemplated by the foregoing paragraph), Seller will not complete final electrical hook-ups to the Installation Site power supply and Customer is responsible for having its own electricians complete such connections. In the event that local by-laws, ordinances or regulations in effect at the Installation Site require

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certain inspections, approvals or supervision of such hook-ups, Customer is responsible for arranging these as required. Seller shall not be responsible for obtaining required permits that may be specific to the Installation Site. Any required permits shall be the responsibility of Customer.

The parties' respective rights and obligations in relation to (a) Spare Parts are as set out in *Schedule 2 – Spare Parts* and (b) the Standard Documentation Package are as set out in *Schedule 3 – Standard Documentation Package* .

14. LIMITED WARRANTY

Seller warrants that it shall perform all Services in a workmanlike manner respecting industry standards and practices for similar Services. This warranty in respect of any Services shall expire [*] ([*]) months after the rendering of such Services.

Seller warrants that the Product (other than any Products comprising prototypes or proof of principle Products, in respect of which no warranty is provided) shall conform to the Specifications at SAT, and will be free from defects in workmanship and material for a period of [*] ([*]) months from the date of successful completion of SAT, or [*] ([*]) months from successful completion of FAT, whichever occurs first.

Upon prompt notification from Customer of any failure of the Product or Services to conform to these warranties during the applicable warranty period, Seller will make repairs, adjustments, re-performance or replacements to the defective part(s) of the Products or Services at Seller's option. Where required by Seller, Customer agrees to return a defective part to Seller at Seller's expense. Seller will return corrected or replacement parts CPT (Incoterms 2010) Installation Site. In the event that Customer relocates the Deliverables from the Installation Site identified in the accepted Purchase Order to another facility, the warranties provided by Seller herein shall terminate and Seller shall have no further warranty obligations to Customer, unless otherwise agreed to in writing by the parties. Seller shall have no responsibility for, and does not warrant against, any problems that occur as a result of improper use of the Product or failure to properly maintain and operate the Product. Customer shall maintain accurate and complete records regarding equipment operation and maintenance and service procedures performed on the Product. Seller's warranty excludes consumable items and wear parts which by their nature require periodic replacement. With respect to equipment supplied by a third party integrated into the Product, warranties for such items are limited to the warranty extended to Seller by the third party supplier. Seller hereby assigns to the Customer all warranties received from its suppliers to the extent Seller is able and Seller agrees to assist the Customer in making any claim pursuant to the said third party supplier warranties.

Seller and Customer hereby agree that ATS provides no warranty of any kind with respect to Customer Modifications. To the extent of Customer Modifications made during the warranty period, ATS' shall have no warranty obligations in relation to any Deliverables directly affected by such Customer Modification, including without limitation warranty of conformance to Specifications or performance of the Deliverables. The Customer shall promptly provide ATS will full particulars of any Customer Modifications made during the warranty period.

Customer acknowledges that this section sets forth Customer's exclusive remedy, and Seller's exclusive liability, for any breach of these warranties and any other claim during or following the applicable warranty period based on or related to the quality or failure of, or defect in, the Services and Deliverables provided hereunder, whether the applicable quality issue, failure or defect arises before, during or after the applicable warranty period, and whether the claim, howsoever instituted, is based on contract, warranty, tort (including, without limitation, negligence), strict liability, or otherwise.

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Seller makes no other warranty, express or implied, and hereby expressly disclaims any warranty of non-infringement (other than as set out herein), merchantability, and fitness for a particular purpose

15. **CONFIDENTIALITY**

The parties acknowledge that Customer and ATS sortimat USA LLC (an Affiliate of Seller) entered into a Mutual Non-Disclosure Agreement dated as of July 9, 2015 (the **"NDA"**). The parties each acknowledge and agree that: (a) the NDA remains in full force and effect; (b) the terms and conditions of the NDA are hereby incorporated by reference into this Agreement; and (c) the terms and conditions of the NDA shall continue to be incorporated by reference into this Agreement notwithstanding any expiration or termination of the NDA in the future. In this Agreement, "Confidential Information" has the meaning given to it in the NDA.

Unless in conflict with the NDA, each party to this Agreement (each a " **Recipient** ") agrees to keep and maintain the confidentiality of the Confidential Information of the other party hereto (each a **"Discloser"**). This Agreement imposes no obligation on the Recipient where Recipient can demonstrate with documentary evidence that such information: (a) was known to the Recipient prior to receipt of the information on a non-confidential basis; (b) is or becomes a matter of public knowledge or publicly available through no fault of the Recipient; (c) is rightfully received by Recipient on a non-confidential basis from a third party; (d) is independently developed by Recipient without use of or reference to the Confidential Information from Discloser as established by the written records of Recipient; or (e) is publicly disclosed by Recipient with Discloser's prior written approval. Notwithstanding the expiration or termination of this Agreement, the obligations and restrictions on Recipient in relation to Confidential Information shall survive until such time as the Confidential Information otherwise falls into one of the exclusions as set out in the preceding sentence. Recipient agrees to protect the Confidential Information in strictest confidence by using the same degree of care to prevent the unauthorized use, dissemination or publication of the Confidential Information as Recipient uses to protect its own Confidential Information, provided that in no case shall such standard of care be less than a reasonable degree of care. Recipient may disclose such Confidential Information only to: (i) those of Recipient's employees, advisors, consultants, Affiliates and vendors who have a need to know such Confidential Information (collectively, the " **Recipient's Representatives** ") provided that: (A) such Recipient's Representatives are under obligations of confidentiality to maintain the confidentiality of such Confidential Information; and (B) Recipient shall be liable for the failure of any of Recipient's Representatives to whom Confidential Information is disclosed to comply with Recipient's obligations of confidentiality hereunder; (ii) to the extent required by a court or tribunal; and (iii) to the extent otherwise specifically required by law. Recipient shall not use Discloser's Confidential Information for any purpose other than as necessary to carry out the purposes of this Agreement. Recipient shall not modify, reverse engineer, disassemble, decompile, create other works from, or determine the composition of, any formulations, prototypes, software or other tangible objects that embody Discloser's Confidential Information. Notwithstanding the foregoing, the restrictions set forth in the prior sentence shall not prohibit Customer in any way from using any Products in accordance with the terms of this Agreement. For certainty, the parties agree Seller Proprietary Technology (as defined below) is Confidential Information of Seller. In the event that the Products are operated by Customer's contract manufacturer, and/or located in an Installation Site owned and/or operated by Customer's contract manufacturer, Customer shall be liable for the failure of Customer's contract manufacturer to comply with Recipient's obligations hereunder.

16. **PROPERTY RIGHTS AND SOFTWARE LICENSES**

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Except for Seller Proprietary Technology, Third Party Rights, and as otherwise set out below, Seller shall and does irrevocably grant and assign to Customer all proprietary rights in and to any and all of the Deliverables.

Notwithstanding any provision, express or implied, to the contrary, and for the purposes of clarity, the parties confirm that Seller shall retain ownership of all proprietary rights in and to any Seller Proprietary Technology, including, without limitation, that which forms part of the Deliverables provided under the Agreement, and regardless whether such Seller Proprietary Technology is included in Additional Documentation as defined in *Schedule 1 - Access to Confidential and Proprietary Information* , or provided to Customer pursuant to *Schedule 3 - Standard Documentation Package* . " **Seller Proprietary Technology** " means any and all technology, know-how, trade secrets, inventions, designs, copyrights, and software and other intellectual property whatsoever that [*]; provided, that (x) Seller Proprietary Technology does not include any [*], and (y) each of (x)(i), and (ii) shall be [*].

The Deliverables may include software that is or has been developed by Seller for general use in the products Seller manufactures and/or sells or otherwise supplies (" **Seller Software** "). Computer software (including source and object code thereto) that is custom developed by Seller specifically for Customer under the terms of the Agreement (" **Custom Software** ") shall be owned by Customer.

Customer shall have and Seller hereby grants to Customer, an irrevocable, non-transferable, non-exclusive, royalty-free, perpetual right and license (with no right to sub-license other than to its contract manufacturer in the event that the Products are operated by Customer's contract manufacturer, and/or located in an Installation Site owned and/or operated by Customer's contract manufacturer) to use such Seller Proprietary Technology including Seller Software as has been incorporated into the Deliverables to operate, maintain, repair, improve and modify the Deliverables provided under this Agreement at the Installation Site including such Seller Proprietary Technology which is described in more detail in *Schedule 1 - Access to Confidential and Proprietary Information* , *Schedule 2 – Spare Parts,* or *Schedule 3 - Standard Documentation Package* each as attached hereto and made a part hereof.

The Deliverables may incorporate proprietary technology or other intellectual property rights owned by third party suppliers (" **Third Party Rights** "); provided that Seller assigns, sublicenses or otherwise transfers to Customer all Third Party Rights related to the Deliverables. Customer shall assume or otherwise be bound by all obligations in relation to any such Third Party Rights which are properly assigned, sublicensed or otherwise transferred to Customer.

Seller reserves all rights to Seller's own trade-names, logos, trade-marks, or other markings. Customer shall not acquire any right, title or interest in or to any such trade-name, logo, trade-mark, or other markings of the Seller, and shall not alter, obscure, remove, cancel or otherwise interfere with any such markings associated with the Deliverables.

17. **PATENTS**

Seller agrees that it will, at its own expense, indemnify, defend any suit instituted against Customer, hold harmless and will pay any award of damages and reasonable costs made against Customer in a final judgment by a court of competent jurisdiction, or any amount in settlement or compromise thereof, provided that: (a) the same is based upon a claim that the Seller Proprietary Technology as incorporated by Seller into the Product infringes a valid patent, copyright, trade secret or other intellectual property right under the laws of the United States, Canada or the laws of the jurisdiction identified in the Proposal as the Installation Site; (b) Customer gives Seller prompt, detailed notice in writing of any such claims asserted; (c) Customer permits

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Seller sole authority through its counsel to defend and/or settle the matter; and (d) Customer cooperates and assists with such defense and/or settlement.

In case the Product is, or may become, the subject of any such proceeding, Seller may, and in the event the Product is held in such suit to constitute an infringement and its use is enjoined, Seller shall, at its expense and option, either: (i) procure for Customer the right to continue to use the Product; or (ii) replace same with a non-infringing product or part; or (iii) modify same so it becomes non-infringing.

Notwithstanding the foregoing, in no event shall Seller be liable or otherwise responsible for any claim for infringement of intellectual property rights that relates to: (A) any Product, or part, or other item which is manufactured to designs, drawings and instructions provided by Customer including designs, drawings or instructions which Customer directed Seller to incorporate as a result of Seller's authorized access to facilities that house equipment which manufactures Customer's products (collectively, " **Customer Designs")** ; or (B) any Product or part which is modified by a party other than Seller; (C) any product of a third party as specified by Customer incorporated in the Product; (D) the use or inclusion of any Product or part furnished by Seller in combination with other products not furnished by Seller; (E) Customer's use of any Product or part furnished by Seller including any infringement relating to Customer's manufacturing or other processes; or (F) Customer Modifications. As to any such excluded Product, part, other item, or process, Seller assumes no liability whatsoever for intellectual property right infringement and Customer shall hold Seller harmless against any infringement claim arising therefrom.

The express obligations in this section shall be Seller's sole obligations and Customer's sole remedies with respect to any claims for breach or infringement of intellectual property rights relating in any way to the Services or Deliverables.

In addition to the foregoing, the parties acknowledge and agree that Customer may disclose Customer Designs to Seller for the purpose of facilitating and/or directing Seller's performance under this Agreement. Customer represents and warrants that Customer has full ownership rights, license and/or authority to the Customer Designs. Seller shall have and Customer hereby grants to Seller, an irrevocable, transferable (including the right to sub-license), non-exclusive, royalty-free, perpetual right and license to use Customer Designs solely to perform its obligations under this Agreement. Customer agrees that it will, at its own expense, defend any suit instituted against Seller and will pay any award of damages and reasonable costs made against Seller in a final judgment by a court of competent jurisdiction, or any amount in settlement or compromise thereof, provided that: (a) the same is based upon a claim that the Customer Designs and/or Customer Modifications infringe a valid patent, copyright, trade secret or other intellectual property right under the laws of the United States, Canada, or the laws of the jurisdiction identified in the Proposal as either: (i) the country of Seller's facility where the Product will be manufactured; or (ii) the Installation Site; (b) Seller gives Customer prompt, detailed notice in writing of any such claims asserted; (c) Seller permits Customer sole authority through its counsel to defend and/or settle the matter; and (d) Seller cooperates and assists with such defense and/or settlement.

18. LIMITATIONS OF LIABILITY AND REMEDIES

Except as such damages that may arise out of an indemnification obligation, gross negligence or willful misconduct, in no event, whether as a result of breach of contract, warranty, tort (including, without limitation, negligence), duty of good faith and/or honest performance, strict liability, or otherwise, shall:

(a) either party and/or their Affiliates, or their respective employees, officers, directors, suppliers or subcontractors be liable for any indirect, special, consequential, incidental or punitive damages,

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including, but not limited to: loss of profit or revenues; loss of use of the Product or any other Deliverable or any associated equipment; damage to associated equipment or affected products, components or materials; cost of capital; cost of substitute products, facilities, services or replacement equipment; down time costs; or claims of Customer's customers or contract manufacturer for such damages; and

(b) either party's liability to the other party for any loss or damage arising out of, connected with, or resulting from the Agreement, performance or breach of the Agreement, or the Deliverables and/or Services covered by or furnished under the Agreement, exceed [*].

Seller assumes and relies upon the accuracy and completeness of any and all specifications and other information provided by Customer and/or its agents from time to time and expressly disclaims any responsibility whatsoever for any incompleteness thereof, or inaccuracies contained therein.

If Seller provides any information, advice, assistance or item to Customer in relation to the Services and/or Deliverables, or any system or equipment to be used with or which relate to the Services and/or Deliverables or otherwise related to the business of Customer, and which is not required to be provided by Seller pursuant to the Agreement, the furnishing of such information, advice, assistance or item will not subject Seller to any liability, whether in contract, warranty, indemnity, tort (including, without limitation, negligence), strict liability, or otherwise, unless such information, advice, assistance or item is provided by Seller in connection with another written agreement entered into by the parties.

Customer agrees that it will, at its own expense, defend any suit instituted against Seller, Seller's Affiliates, and/or any of their respective employees, officers, directors, suppliers and subcontractors (collectively, the **"Releasees"**) and will pay any award of damages and costs (including, without limitation, legal fees and disbursements) made against the Releasees in a final judgment by a court of competent jurisdiction, or any amount in settlement or compromise thereof, arising from, incidental to or in connection with a claim for personal injury (including, without limitation, death) and/or damage to property arising or allegedly arising directly or indirectly from: (i) the design, manufacture, operation and/or use of Customer's end product, whether any such claim is advanced as a product liability claim or otherwise, and regardless of whether any such Customer end product is manufactured, assembled or otherwise developed or handled utilizing the Deliverables hereunder; and/or (ii) Customer Modifications.

The remedies provided to the parties in the Agreement are their respective sole and exclusive remedies.

If Customer transfers title to, sells or leases the Services, the Product or any other Deliverable to any third party, Customer shall obtain from such third party a provision affording Seller and its employees, suppliers and subcontractors the protection of this Section.

19. DISPUTE RESOLUTION

Customer and Seller agree the parties will attempt in good faith to promptly resolve any dispute arising out of or in connection with the execution, interpretation, performance, or nonperformance of this Agreement, through: (a) the parties' respective employees primarily responsible for the project within their organization; and (b) if not resolved, escalation to the parties' respective senior management. Nothing in this section prevents a party from seeking equitable relief from a court of competent jurisdiction for the protection of its confidentiality or proprietary rights.

20. TERMINATION BY SELLER FOR CAUSE

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Seller may terminate this Agreement and/or any or all Purchase Orders hereunder: (a) effective immediately if Customer becomes insolvent or bankrupt; or (b) effective [*] ([*]) business days after written notice is given by Seller to Customer, if Customer materially breaches a provision of this Agreement or any Purchase Order hereunder and does not commence to remedy such breach within such [*] ([*]) business day notice period. In the event of such termination: (i) Seller shall have the right to take possession of all Deliverables and related materials and components, in whatever stage of design, manufacture, production or installation they are in at such time, except such Deliverables, materials, and components which have already been delivered to and/or paid for in full by Customer; (ii) Seller shall be under no obligation to finish the Services or Deliverables or provide any warranty or any further work, support or information to Customer; and (iii) Customer shall pay Seller: (A) an amount to compensate Seller for all Services and other work performed prior to the termination based on a pro rata ratio of the purchase price to the percentage of the work completed by Seller as at the effective date of termination; plus (B) an amount to compensate Seller for all liability incurred by Seller in connection with commitments made to third parties prior to termination for equipment and other goods, services, and labour (including, without limitation, as the case may be, the actual amount of any such commitment, any cancellation or termination fees, any lost deposits and any restocking charges). Seller shall not be entitled to anticipated profit or anticipated overhead charges for the balance of the project.

21. TERMINATION BY CUSTOMER FOR CAUSE

Customer may terminate this Agreement and/or any or all Purchase Orders hereunder: (a) effective immediately if Seller becomes bankrupt or insolvent; or (b) effective [*] ([*]) business days after written notice is given by Customer to Seller, if Seller materially breaches a provision of this Agreement or any Purchase Order hereunder and does not commence to remedy such breach within such [*] ([*]) business day notice period. In the event of such termination, Customer shall take possession of the Deliverables (in whatever state of design or manufacture they are at such time) immediately and shall have the right to receive a refund of all amounts paid to Seller by Customer under the applicable Purchase Order, less an amount representing payment for all Services and other work performed and Deliverables provided by Seller to the date of such termination. Seller shall not be entitled to anticipated profit or anticipated overhead charges. Upon such payment, Customer shall have the right to the continued use of the Deliverables then delivered subject to the terms of license and confidentiality as contained herein, provided however that Seller shall not provide any warranty in relation to the Deliverables.

22. PROMOTIONAL MATERIAL

Seller shall not have the right to use Customer’s name and logo, nor photographic, videographic or descriptive depictions of the Deliverables without Customer’s prior written consent.

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23. **ASSIGNMENT AND SUBCONTRACTING**

Neither party shall assign this Agreement or any Purchase Order hereunder without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement to an Affiliate; provided that if a party (" **Assignor** ") assigns or takes steps to assign this Agreement to an Affiliate whose financial condition is of material concern to the other party acting reasonably (" **Assignee** "), then the non-assigning party may require, and Assignor shall provide to the non-assigning party, reasonable assurance of Assignee's financial condition. This Agreement, and any accepted Purchase Orders hereunder, shall be binding on and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns. Notwithstanding the foregoing, Seller shall have the right to subcontract portions of its scope of work for the provisions of Deliverables and/or Services to one or more of its Affiliates, in Seller's reasonable discretion; provided that Seller remains primarily liable for the performance hereunder.

24. **SEVERABILITY**

If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this Agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.

25. **AGENCY**

Seller and the Customer are independent contractors. No agency relationship or partnership exists between them, and neither of them has the right to enter into a contract on behalf of or as an agent or representative of the other. Customer expressly acknowledges and agrees that in no event shall Customer communicate directly with Seller's subcontractors and suppliers without the prior written authorization of Seller.

26. **NON-SOLICITATION**

During the Term and for a period of [*] months thereafter, neither party shall knowingly solicit for employment any of the other party's then-current personnel who have been directly involved in the performance of the Agreement, without the prior written consent of the other party. The foregoing shall not apply to advertisements or general solicitations that do not specifically target the other party's employees .

27. **NOTICES**

All notices required or permitted under this Agreement shall be in writing addressed as follows:

If to Seller: Automation Tooling Systems Inc.
730 Fountain Street North, Building 3
Cambridge, ON N3H 4R7
Attention: General Manager, Life Sciences

With a copy to: Automation Tooling Systems Inc.
730 Fountain Street North, Building 2
Cambridge, ON N3H 4R7
Attention: General Counsel

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

If to the Customer: Insulet Corporation
600 Technology Park Drive, Suite 200
Billerica, MA 01821
Attention: *VP, Supplier Development*

With a copy to: Insulet Corporation
600 Technology Park Drive, Suite 200
Billerica, MA 01821
Attention: *General Counsel*

Seller or Customer may change their respective addresses by written notice. Notice shall be deemed given: (i) if and when personally delivered; (ii) on the next business day after being deposited with a recognized and reputable overnight carrier; or (iii) on the fifth business day after being sent by registered or certified mail, postage prepaid, addressed to the intended recipient at the address above.

28. **SURVIVAL**

The terms, provisions, representations, and warranties contained in this Agreement that by their sense and context are intended to survive the performance thereof by either party or both parties hereunder shall so survive the completion of performance, expiration or termination of this Agreement.

29. **TRADE COMPLIANCE**

The parties acknowledge that the exportation from the United States or Canada of materials, products and related technical data (and the re-export from elsewhere of items originating in a particular country) may be subject to compliance with relevant export laws, including laws which restrict export, re-export and release of materials, products and their related technical data, and the direct products of such technical data. The parties agree to comply with all export laws and to commit no act that, directly or indirectly, would violate any law, or any other international treaty or agreement, relating to the export, re-export, or release of any materials, products or their related technical data to which the United States or Canada adheres or with which the United States or Canada complies. Notwithstanding anything to the contrary in this Agreement, neither party shall be required to meet its obligations under this Agreement in any way that is inconsistent with laws applicable to it or its Affiliates.

Customer certifies and warrants as follows:

(a) Customer is not a citizen, national, permanent resident of, or incorporated or organized to do business in, and is not under the control of a government which is subject to economic sanctions or embargoes imposed by the United States or Canadian government, or to any other destination to which the United States or Canadian governments may in the future prohibit exports. Customer will not sell, export, re-export or cause to be exported items or any related technology or software, directly (or indirectly through its agents or employees) to the above mentioned countries or to citizens, nationals or permanent residents of those countries.

(b) Customer is eligible to receive exports of the Deliverables. Customer has not been deemed by the United States or Canadian governments to be ineligible to receive exports and, in particular, is not listed on any of OFAC's list of Specially Designated Nationals or on the U.S. Department of Commerce's Table of Denial Orders or Entity List or Unverified List, or any designated persons listed under the various special economic measures regulations published by the government of

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Canada. Customer will not sell, or otherwise re-export items, directly or indirectly, to any ineligible persons.

(c) Customer will not use the Deliverables and will not enable the Deliverables to be used for any purposes prohibited by United States or Canadian export laws and regulations, including, without limitation, the development, design, manufacture or production of nuclear, missile, chemical and biological weapons and technology, or other defense articles and/or defense services as defined in the US Munitions List pursuant to the *Arms Export Control Act* [22 U.S.C. 2778 (a)] or the Canadian Export Control List pursuant to the Defense Production Act , R.S.C., 1985, c. D-1.

(d) Customer shall be the importer of record, and shall be responsible for obtaining all import licenses and permits as may be required to import the Deliverables into such countries as are subject to this Agreement in accordance with the prevailing laws and regulations of such countries. All such filings and registrations of the Deliverables shall be in Customer's name. Seller shall provide reasonable cooperation to Customer in its efforts to obtain any such approvals.

(e) Customer agrees to keep records of its import declaration and all related customs documentation for a minimum of [*] ([*]) years or such period as required by applicable law, whichever is greater, and shall make those records available to Seller upon request.

(f) Customer shall indemnify and hold harmless the Releasees for, from and against any claim that may arise as a result of Customer's breach of its obligations under this Section.

30. **GOVERNING LAW**

The validity, interpretation and performance of this Agreement shall be governed by and construed in accordance with the internal laws of the State of New York and the United States, excluding its conflicts of laws principles. Customer and Seller hereby submit to the exclusive jurisdiction of the State and Federal Courts of the State of New York for resolution of disputes arising in connection with this Agreement and/or any Purchase Order hereunder. The provisions of: (a) the United Nations Convention on Contracts for the International Sale of Goods; (b) the 1974 Convention on the Limitation Period in the International Sale of Goods; and (c) the Protocol Amending the 1974 Convention done at Vienna April 11, 1980, shall not apply to this Agreement, nor any Purchase Order hereunder, nor to the rights and obligations of the Customer and Seller under this Agreement or any Purchase Order hereunder.

31. **ENTIRE AGREEMENT**

Each party acknowledges that this Agreement (which includes any exhibits and attachments hereto, and any other documents incorporated herein by express reference), together with any and all applicable Proposals, Seller's written acceptance of any Purchase Order, and any accepted Purchase Orders, constitute the entire agreement of the parties with respect to the subject matter hereof and supersedes all previous and contemporaneous communications. This Agreement, and any accepted Purchase Orders hereunder, may only be changed by written agreement executed by authorized representatives of both Customer and Seller. No consent or waiver, express or implied, by a party with respect to any breach by the other party in the performance or observance of any term or condition of this Agreement operates as a consent or waiver with respect to any other breach or continuing breach. Failure on the part of a party to complain of any breach by the other party in the performance or observance of any term or condition of this Agreement, irrespective of how long the breach continues, does not constitute a waiver of rights under this Agreement.

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32. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts with the same effect as if all parties had signed the same document. All of these counterparts will for all purposes constitute one agreement, binding on the parties, notwithstanding that all parties are not signatories to the same counterpart. A faxed copy, photocopy, or electronic copy of this Agreement executed by a party in a counterpart or otherwise will constitute a properly executed, delivered and binding agreement or counterpart of the executing party.

33. **[*]**

(a) At Customer's request, Customer and Seller will [*] mutually satisfactory to the parties [*] that will govern [*] that will [*], including any applicable [*].

(b) Customer shall bear all costs with respect to [*].

(c) The balance of the provisions within this Section shall apply if Customer requests [*].

(d) Within [*] ([*]) days of the date of successful achievement of SAT of the Product, Seller shall [*]. Seller shall promptly confirm the [*].

(e) [*] shall provide and [*] shall be [*] after the date of successful achievement of SAT ("[*]").

(f) [*] shall include a copy of this Section 33 of this Agreement and shall include [*] provided for in this Section 33 of this Agreement.

(g) Provided that Customer is not then in material default under this Agreement, in the event that [*] ("[*]"), [*].

(h) Upon the occurrence of [*] and [*] ([*]) days advance written notice to Seller, Customer may [*]. [*] only if the [*] timely delivery of the required notice to Seller, and provided that Seller has not given written notice [*] of Seller's intent to contest the occurrence of [*].

(i) In the event of an [*] pursuant to Subsection 33(h), Seller [*].

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

ATS AUTOMATION TOOLING SYSTEMS INC.

By: _____

Name: _____

Title: _____

Date: _____

INSULET CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.2

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SCHEDULE 1

Access to Confidential and Proprietary Information

Seller hereby grants Customer access to Seller's confidential and proprietary information with respect to equipment manufactured and supplied by Seller in accordance with, and subject to the following:

1. In addition to the Standard Documentation Package, and upon request by Customer, Seller will [*] (" **Additional Documentation** ").

2. Additional Documentation shall not include:
   a. [*]; and
   b. any [*] that [*] provided that Customer consents in writing to have [*] and not having [*].

3. Customer's request for the Additional Documentation must be made directly to [*] to which access shall be provided within [*] ([*]) [*] of request.

4. Customer's access to the Additional Documentation will be provided only [*]. Access to the [*] will be restricted to [*]. Customer's use of the Additional Documentation [*] shall be limited to [*].

5. Customer shall not make or retain copies of the Additional Documentation (or any of its contents) in any form or media, including without limitation screen shots, without the prior express written approval of Seller.

6. Any Confidential Information provided by Seller (including the Additional Documentation) will remain the Confidential Information of Seller, shall not be disclosed to any third party outside Customer without express written consent from Seller not to be unreasonably withheld, and shall at all times be subject to the confidentiality provisions of the Agreement and the NDA.

7. Following a Customer Modification, Customer shall be provided with [*] related to and necessary for [*], subject to the obligations of confidentiality under Section 6 of this *Schedule 1 - Access to Confidential and Proprietary Information.* For example, the parties anticipate that Customer may [*], for which Seller's consent will be sought and reasonably given where [*].

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

8.

SCHEDULE 2

Spare Parts

1. During the warranty period defined in Section 14 of the Agreement, Customer shall [*], and Seller shall [*], based on a [*] to be agreed upon by the parties prior to Final Acceptance.

2. Prior to Final Acceptance, Seller will provide Customer with [*] so that Customer, if it desires, may after the applicable warranty period [*]. If requested by Customer, Seller will use reasonable efforts to [*] and [*].

3. Following the applicable warranty period, Seller shall [*] for the [*], based on a [*] to be reviewed and agreed upon by the parties on an annual basis.

4. In the event of an emergency during the warranty period where Seller is [*] is having or is reasonably anticipated to have [*], Customer may utilize the [*] which is necessary to [*]. During the warranty period, any such [*]; following such emergency, Customer shall notify Seller who shall have the right to [*] and if necessary, [*].

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SCHEDULE 3

Standard Documentation Package

The Standard Documentation Package consists of the following which shall be provided by Seller to Customer and which shall be [*] (excluding [*] contained therein):

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*Requires [*]

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXHIBIT 31.1

CERTIFICATION

I, Patrick J. Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Insulet 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.

/s/ Patrick J. Sullivan

Patrick J. Sullivan

Chief Executive Officer

Date: November 4, 2016

EXHIBIT 31.2

CERTIFICATION

I, Michael L. Levitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Insulet 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.

/s/ Michael L. Levitz

Michael L. Levitz

Chief Financial Officer

Date: November 4, 2016

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Insulet Corporation, a Delaware corporation (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2016 , as filed with the Securities and Exchange Commission (the "Report") that, to their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick J. Sullivan

Patrick J. Sullivan
Chief Executive Officer

Date: November 4, 2016

/s/ Michael L. Levitz

Michael L. Levitz
Chief Financial Officer

Date: November 4, 2016