INSULET CORP

FORM 10-Q
(Quarterly Report)

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

Form 10-Q

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

For the quarterly period ended March 31, 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 April 27, 2016 , the registrant had 57,159,581 shares of common stock outstanding.

INSULET CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

INSULET CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 111,635**	$ 122,672
Accounts receivable, net	**40,474**	42,530
Inventories, net	**14,024**	12,024
Prepaid expenses and other current assets	**5,712**	4,283
Current assets of discontinued operations (Note 3)	**—**	9,252
Total current assets	**171,845**	190,761
Property and equipment, net	**41,695**	41,793
Other intangible assets, net	**885**	933
Goodwill	**39,761**	39,607
Other assets	**588**	76
Long-term assets of discontinued operations (Note 3)	**—**	1,956
Total assets	**$ 254,774**	$ 275,126
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 13,482**	$ 15,213
Accrued expenses and other current liabilities	**30,385**	36,744
Deferred revenue	**1,461**	2,361
Current portion of capital lease obligations	**4,447**	5,519
Current liabilities of discontinued operations (Note 3)	**—**	5,319
Total current liabilities	**49,775**	65,156
Capital lease obligations	**—**	269
Long-term debt, net of discount	**173,681**	171,698
Other long-term liabilities	**4,922**	3,952
Total liabilities	**228,378**	241,075
Commitments and contingencies (Note 12)		
Stockholders' Equity		
Preferred stock, $.001 par value:		
Authorized: 5,000,000 shares at March 31, 2016 and December 31, 2015. Issued and outstanding: zero shares at March 31, 2016 and December 31, 2015.	**—**	—
Common stock, $.001 par value:		
Authorized: 100,000,000 shares at March 31, 2016 and December 31, 2015. Issued and outstanding: 57,112,482 and 56,954,830 shares at March 31, 2016 and December 31, 2015, respectively.	**57**	57
Additional paid-in capital	**690,619**	686,193
Accumulated other comprehensive loss	**(254)**	(654)
Accumulated deficit	**(664,026)**	(651,545)
Total stockholders' equity	**26,396**	34,051
Total liabilities and stockholders' equity	**$ 254,774**	$ 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 March 31,	
(In thousands, except share and per share data)	2016	2015
Revenue	$ 81,213	$ 48,148
Cost of revenue	37,162	18,955
Gross profit	44,051	29,193
Operating expenses:		
Research and development	12,989	8,207
Sales and marketing	24,022	14,710
General and administrative	14,739	13,542
Total operating expenses	51,750	36,459
Operating loss	(7,699)	(7,266)
Interest expense	(3,096)	(3,179)
Other income, net	170	27
Interest and other expense, net	(2,926)	(3,152)
Loss from continuing operations before income taxes	(10,625)	(10,418)
Income tax expense	(64)	(24)
Net loss from continuing operations	$ (10,689)	$ (10,442)
Loss from discontinued operations, net of tax ($408 and $28 for three months ended March 31, 2016 and 2015, respectively)	(1,792)	(1,392)
Net loss	$ (12,481)	$ (11,834)
Net loss per share basic and diluted		
Net loss from continuing operations per share basic and diluted	$ (0.19)	$ (0.18)
Net loss from discontinued operations per share basic and diluted	$ (0.03)	$ (0.03)
Weighted-average number of shares used in calculating net loss per share	57,029,575	56,496,648

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

INSULET CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Net loss	**$ (12,481)**	$ (11,834)
Other comprehensive income, net of tax		
Foreign currency translation adjustment, net of tax	**400**	3
Total other comprehensive income, net of tax	**400**	3
Total comprehensive loss	**$ (12,081)**	$ (11,831)

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net loss	**$ (12,481)**	$ (11,834)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	**3,422**	3,433
Non-cash interest	**1,984**	1,883
Stock-based compensation expense	**5,271**	5,305
Provision for bad debts	**655**	328
Other	**139**	—
Changes in operating assets and liabilities:		
Accounts receivable	**2,306**	3,461
Inventories	**(2,649)**	(6,966)
Deferred revenue	**(882)**	313
Prepaid expenses and other assets	**(462)**	384
Accounts payable, accrued expenses and other current liabilities	**(8,776)**	(59)
Other long-term liabilities	**956**	264
Net cash used in operating activities	**(10,517)**	(3,488)
Cash flows from investing activities		
Purchases of property and equipment	**(3,160)**	(4,346)
Proceeds from divestiture of business, net (Note 3)	**4,614**	—
Net cash provided by (used in) investing activities	**1,454**	(4,346)
Cash flows from financing activities		
Principal payments of capital lease obligations	**(1,340)**	(1,193)
Proceeds from issuance of common stock, net of offering costs	**796**	4,876
Payment of withholding taxes in connection with vesting of restricted stock units	**(1,640)**	(1,434)
Net cash (used in) provided by financing activities	**(2,184)**	2,249
Effect of exchange rate changes on cash	**210**	—
Net decrease in cash and cash equivalents	**(11,037)**	(5,585)
Cash and cash equivalents, beginning of period	**122,672**	151,193
Cash and cash equivalents, end of period	**$ 111,635**	$ 145,608
Non-cash investing and financing activities		
Purchases of property and equipment under capital lease	**$ —**	$ 5,721

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 unique disposable tubeless OmniPod which is worn on the body for approximately three days at a time and the handheld, wireless 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 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

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, 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 expense, net, and were not material in the three months ending March 31, 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 accounts, which are carried at cost which approximates their fair value. Outstanding letters of credit, related to security deposits for lease obligations, totaled $1.2 million as of March 31, 2016 and December 31, 2015 .

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.

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.

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") 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.

The majority of the Company's goodwill resulted from the acquisition of Neighborhood Diabetes in June 2011. This goodwill largely reflects operational synergies and expansion of product offerings across markets complementary to the existing core OmniPod offerings.

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 was tested for impairment at the enterprise level. The Company performs an annual goodwill impairment test unless interim indicators of impairment exist. 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 months ended March 31, 2016 or 2015 . As a result of the sale of Neighborhood Diabetes, goodwill was allocated to the discontinued business using the relative fair value approach.

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 in the United States, and a 90 -day right of return for sales of its OmniPod System in Canada to new patients 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 appropriate. 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 March 31, 2016 and December 31, 2015 , the Company had deferred revenue of $1.7 million and $2.5 million , respectively, which included $0.2 million classified in other long-term liabilities in each period. Deferred revenue primarily relates to undelivered elements on certain arrangements within the Company's developmental arrangements and other instances where the Company not yet met the revenue recognition criteria.

International OmniPod revenue accounted for approximately 19% and 8% of total revenue in the three months ended March 31, 2016 and 2015 , respectively.

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.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash and cash equivalents. The Company maintains the majority of its cash with two financial institutions.

The Company purchases OmniPods from Flextronics International Ltd., its single source supplier. As of March 31, 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.

In the three months ended March 31, 2016 , three customers represented 17% , 15% and 10% of total revenue, respectively. In the three months ended March 31, 2015 , one customer represented 12% of total revenue.

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 previously reported net income.

Recent Accounting Pronouncements

In May 2014, the FASB issued 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. As of March 31, 2016 , the Company has adopted ASU 2014-12, which 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 15 December 2016. Early adoption is permitted. The Company concluded, that if this standard had been adopted as of March 31, 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. As of March 31, 2016 , the Company has adopted ASU 2014-12, which did not have an impact on the consolidated financial statements.

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.

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.

Fair Value Measurements	Note	4	Page	12
Accounts Receivable and Allowance for Doubtful Accounts	Note	8	Page	17
Inventories	Note	9	Page	17
Intangibles and Other Long-Lived Assets	Note	10	Page	18
Warranty	Note	11	Page	19
Stock-Based Compensation	Note	13	Page	21
Income Taxes	Note	14	Page	23

Note 3 . Discontinued Operations

Beginning in the first quarter of 2016, 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 February 2016, the Company sold Neighborhood Diabetes to Liberty Medical for approximately $5 million in cash, subject to certain customary closing adjustments. These adjustments are expected to be finalized by June 30, 2016.

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 separation date and terminate up to six months following the closing. Services provided by Insulet include certain information technology and back office support. The charges for such services are generally intended to allow the service provider to recover all out-of-pocket costs. Billings by Insulet under the transition services agreement are 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 will be reimbursed in full, were $0.3 million for the three months ending March 31, 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 March 31, 2016 and 2015, revenue from continued operations as presented in the consolidated statement of operations include $0.3 million and $0.5 million , respectively of OmniPod sales transacted through Neighborhood Diabetes prior to the divestiture that were previously eliminated in consolidation. 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 $0.4 million for the three months ending March 31, 2016.

The following is a summary of the operating results of Neighborhood Diabetes included in discontinued operations for the three months ending March 31, 2016 and 2015:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Discontinued operations:		
Revenue [1]	**$ 7,730**	$ 13,067
Cost of revenue	**5,369**	9,453
Gross profit	**2,361**	3,614
Operating and other expenses	**2,481**	4,978
Loss on sale of Neighborhood Diabetes	**1,264**	—
Loss from discontinued operations before taxes	**(1,384)**	(1,364)
Income tax expense	**(408)**	(28)
Net loss from discontinued operations	**$ (1,792)**	$ (1,392)

(1) Revenue for the three months ending March 31, 2016 includes revenue from the operations of Neighborhood Diabetes through date of sale in February 2016.

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
Current assets of discontinued operations	9,252
Intangible assets, net	1,788
Goodwill	140
Other non-current assets	28
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

Total operating cash flows used in discontinued operations in the three months ended March 31, 2016 and 2015 were $2.0 million and $1.4 million , respectively.

Note 4 . Fair Value Measurements

The Company adopted the Financial Accounting Standards Board (“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 March 31, 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**
March 31, 2016				
Recurring Fair Value Measurements:				
Cash Equivalents - Money Market Funds	**$ 98,305**	**$ 98,305**	**$ —**	**$ —**
Non-Recurring Fair Value Measurements:				
Long-lived assets held and used [(1)]	**$ —**	**$ —**	**$ —**	**$ —**
December 31, 2015				
Recurring Fair Value Measurements:				
Cash Equivalents - Money Market Funds	$ 98,223	$ 98,223	$ —	$ —
Non-Recurring Fair Value Measurements:				
Long-lived assets held and used [(1)]	$ 1,788	$ —	$ —	$ 1,788

(1) Long-lived assets held and used 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 1 quoted market prices for the same or similar issues and included the impact of the conversion features.

The carrying amounts and the estimated fair values of financial instruments as of March 31, 2016 and December 31, 2015 , are as follows (in thousands):

	March 31, 2016		December 31, 2015	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
2% Convertible Senior Notes	**$ 173,681**	**$ 195,915**	$ 171,698	$ 207,882

The Company issued $201.3 million in principal amount of 2% Notes (as defined below) in June 2014 . The carrying value of the 2% Notes at March 31, 2016 includes a debt discount of $24.0 million which is being amortized as non-cash interest expense over the term of the 2% Notes. The decrease in the estimated fair values of these liabilities from December 31, 2015 to March 31, 2016 represents the impact of the quoted bond prices at those dates.

Note 5 . Debt

The Company had outstanding convertible debt and related deferred financing costs on its consolidated balance sheet as follows (in thousands):

	As of	
	March 31, 2016	December 31, 2015
Principal amount of the 2% Convertible Senior Notes	**$ 201,250**	$ 201,250
Unamortized debt discount	**(24,002)**	(25,704)
Deferred financing costs	**(3,567)**	(3,848)
Long-term debt, net of discount	**$ 173,681**	$ 171,698

Interest expense related to the 3.75% Notes (as defined below) and the 2% Notes was included in interest and other expense on the consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,	
	2016	2015
Contractual coupon interest	**$ 1,006**	$ 1,006
Accretion of debt discount	**1,702**	1,601
Amortization of debt issuance costs	**282**	282
Total interest and other expense	**$ 2,990**	$ 2,889

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.

There was no cash or non-cash interest expense recorded in the three months ended March 31, 2016 and 2015 related to the 3.75% Notes.

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.

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 US, 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 $1.0 million in the three months ended March 31, 2016 and 2015 . Non-cash interest expense related to the 2% Notes was $2.0 million and $1.9 million in the three months ended March 31, 2016 and 2015 , respectively.

As of March 31, 2016 , the Company included $173.7 million on its balance sheet in long-term debt related to the 2% Notes.

Note 6 . Capital Lease Obligations

As of March 31, 2016 and December 31, 2015 , the Company has approximately $13.7 million of manufacturing equipment acquired under capital leases, included in property and equipment, respectively. The obligations under the capital leases are being repaid in equal monthly installments over 24 to 36 month terms and include principal and interest payments with an effective interest rate of 13% to 17% .

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 $0.5 million in the three months ended March 31, 2016 and 2015 , respectively.

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

	As of	
	March 31, 2016	**December 31, 2015**
Manufacturing equipment	**$ 13,705**	$ 13,705
Less: Accumulated amortization	**(5,030)**	(4,346)
Total	**$ 8,675**	$ 9,359

The aggregate future minimum lease payments related to these capital leases as of March 31, 2016 , are as follows (in thousands):

Years Ending December 31,	**Minimum Lease Payments**
2016 (remaining)	$ 4,359
2017	269
Total future minimum lease payments	$ 4,628
Interest expense	(181)
Total capital lease obligations	$ 4,447

The Company recorded $0.2 million and $0.3 million of interest expense on capital leases in the three months ended March 31, 2016 and 2015.

Note 7. 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 months ended March 31, 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 Months Ended March 31,	
	2016	**2015**
2.00% Convertible Senior Notes	**4,327,257**	4,327,257
Unvested restricted stock units	**1,150,720**	961,947
Outstanding options	**3,594,297**	2,769,259
Total dilutive common shares	**9,072,274**	8,058,463

Note 8 . Accounts Receivable

Accounts receivable consist of amounts due from third-party payors, patients, third-party distributors 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.

Accounts receivable from two customers represented approximately 19% and 11% of gross accounts receivable as of March 31, 2016 , respectively. As of December 31, 2015 accounts receivable from two customers represented approximately 22% and 19% of gross accounts receivable, respectively.

The components of accounts receivable are as follows (in thousands) which excludes historical amounts that are now presented in current assets of discontinued operations at December 31, 2015:

	As of	
	March 31, 2016	**December 31, 2015**
Trade receivables	**$ 44,008**	$ 46,668
Allowance for doubtful accounts	**(3,534)**	(4,138)
Total accounts receivable	**$ 40,474**	$ 42,530

Note 9 . Inventories

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

Inventories consist of the following (in thousands) which excludes historical amounts that are now presented in current assets of discontinued operations at December 31, 2015:

	As of	
	March 31, 2016	**December 31, 2015**
Raw materials	**$ 773**	$ 632
Work-in-process	**2,625**	1,960
Finished goods, net	**10,626**	9,432
Total inventories	**$ 14,024**	$ 12,024

Note 10 . 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. As a result, 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 trade name 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 over the estimated lives, based on the expected cash flows of the assets, accordingly. The amortization expense of other intangible assets was approximately $0.1 million in the three months ended March 31, 2016 , which was recorded in general and administration expenses on the statement of operations.

Other intangible assets consist of the following (in thousands). Note that amounts presented below for the year ended December 31, 2015 have been adjusted to remove the intangible assets presented as long-term assets of discontinued operations at December 31, 2015.

	As of					
	March 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Contractual relationships, net	**$ 2,067**	**$ (1,182)**	**$ 885**	$ 1,933	$ (1,000)	$ 933
Tradename	**—**	**—**	**—**	—	—	—
Total intangible assets	**$ 2,067**	**$ (1,182)**	**$ 885**	$ 1,933	$ (1,000)	$ 933

Amortization expense was approximately $0.1 million for the three months ended March 31, 2016. There was no amortization expense from continuing operations for the three months ended March 31, 2015.

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

Years Ending December 31,	Contractual Relationships
2016 (remaining)	$ 338
2017	187
2018	160
2019	133
2020	67
Thereafter	—
Total	$ 885

As of March 31, 2016 , the weighted average amortization period of the Company's intangible assets is approximately 4.8 years .

Note 11 . Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands) which excludes historical amounts that are now presented in current liabilities of discontinued operations at December 31, 2015:

	As of	
	March 31, 2016	December 31, 2015
Employee compensation and related items	**$ 11,309**	$ 16,856
Professional and consulting services	**5,755**	5,654
Suppliers	**3,437**	4,981
Warranty reserve	**1,547**	1,592
Sales and use tax	**931**	1,163
Other	**7,406**	6,498
Total accrued expenses and other current liabilities	**$ 30,385**	$ 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 March 31,	
	2016	2015
Balance at the beginning of the period	**$ 4,152**	$ 2,614
Warranty expense	**1,028**	467
Warranty claims settled	**(1,020)**	(420)
Balance at the end of the period	**$ 4,160**	$ 2,661

	As of	
	March 31, 2016	December 31, 2015
Composition of balance:		
Short-term	**$ 1,547**	$ 1,592
Long-term	**2,613**	2,560
	$ 4,160	$ 4,152

Note 12 . Commitments and Contingencies

Operating Leases

The Company leases its facilities in Massachusetts, 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 March 31, 2016 , are as follows (in thousands):

Years Ending December 31,	Minimum Lease Payments
2016 (remaining)	1,678
2017	2,181
2018	2,162
2019	2,169
2020	2,146
Thereafter	3,934
Total	$ 14,270

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.

The Company is in the process of responding to a draft audit report received in June 2015 from the Connecticut Department of Social Services Office of Quality Assurance 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 for the two audits discussed above and recorded an aggregate liability of $0.9 million through general and administrative expense as of that date which remains accrued as of March 31, 2016.

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 13 . 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. The Company determines the intrinsic value of restricted stock and 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 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 March 31, 2016 and 2015 was $5.3 million and calculated on awards ultimately expected to vest. At March 31, 2016 , the Company had $55.0 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 March 31, 2016 , 4,505,202 shares remain available for future issuance under the 2007 Plan.

The Company awarded 194,500 shares of performance-based incentive stock options in 2015. 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.

The following summarizes the activity under the Company's stock option plans in the three months ended March 31, 2016:

	Number of Options (#)	Weighted Average Exercise Price ($)	Aggregate Intrinsic Value ($)
			(In thousands)
Balance, December 31, 2015	2,999,199	$ 31.37	
Granted	679,882	29.94	
Exercised [(1)]	(49,137)	16.20	$ 777
Canceled	(35,647)	31.76	
Balance, March 31, 2016	3,594,297	$ 31.31	$ 12,708
Vested, March 31, 2016 [(2)]	1,160,154	$ 29.65	$ 6,707
Vested and expected to vest, March 31, 2016 [(2)(3)]	3,197,410		$ 11,689

(1) The aggregate intrinsic value was calculated based on the positive difference between the estimated 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 difference between the estimated fair value of the Company's common stock as of March 31, 2016 , and the exercise price of the underlying options.

(3) Represents the number of vested options as of March 31, 2016 , plus the number of unvested options expected to vest as of March 31, 2016 , based on the unvested options outstanding at March 31, 2016 , adjusted for the estimated forfeiture.

At March 31, 2016 there were 3,594,297 options outstanding with a weighted average exercise price of $31.31 and a weighted average remaining contractual life of 8.6 years . At March 31, 2016 there were 1,160,154 options exercisable with a weighted average exercise price of $29.65 and a weighted average remaining contractual life of 7.2 years.

Employee stock-based compensation expense related to stock options in the three months ended March 31, 2016 and 2015 was $2.3 million and $3.0 million , respectively, and was based on awards ultimately expected to vest. At March 31, 2016 , the Company had $25.4 million of total unrecognized compensation expense related to stock options that will be recognized over a weighted average vesting period of 1.5 years.

Restricted Stock Units

In the three months ended March 31, 2016 , the Company awarded 518,092 restricted stock units to certain employees and non-employee members of the Board of Directors, which included 149,256 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 three months ended March 31, 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 $0.6 million in the three months ended March 31, 2016 as it expects a portion of the performance-based restricted stock units granted will be earned based on its evaluation of the performance criteria at March 31, 2016. 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 three months ended March 31, 2016 have a weighted average fair value of $29.42 per share based on the closing price of the Company's common stock on the date of grant and were valued at approximately $15.2 million on their grant date. The Company is recognizing the compensation expense over the vesting period. Approximately $2.3 million and of stock-based compensation expense related to the vesting of non-performance based restricted stock units was recognized in the three months ended March 31, 2016 and 2015 using the straight line method. Approximately $29.5 million of the fair value of the restricted stock units remained unrecognized as of March 31, 2016 and will be recognized over a weighted average period of 1.5 years. 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 three months ended March 31, 2016:

	Number of Shares (#)	Weighted Average Fair Value ($)
Balance, December 31, 2015	811,965	$ 32.30
Granted	518,092	29.42
Vested	(160,253)	31.60
Forfeited	(19,084)	33.35
Balance, March 31, 2016	1,150,720	$ 31.08

Employee Stock Purchase Plan

As of March 31, 2016 and 2015, the Company had no shares contingently issued under the Employee Stock Purchase Plan ("ESPP"). In the three months ended March 31, 2016 and 2015, the Company recorded no significant stock-based compensation expense related to the ESPP.

Note 14 . 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 2011 through 2014 and 2010 through 2014, 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 March 31, 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 consists of the following (in thousands):

	Three Months Ended March 31,	
	2016	**2015**
Current	**$ 75**	$ 24
Deferred	**(11)**	—
Total	**$ 64**	$ 24

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 March 31, 2016 .

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 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;
- 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.

First Quarter 2016 Revenue Results:

- Total revenue of $81.2 million
    - U.S. OmniPod revenue of $50.7 million
    - International OmniPod revenue of $15.4 million
    - Drug Delivery revenue of $15.1 million

Our long-term financial objective is to achieve and sustain profitable growth. Our efforts in 2016 will be focused primarily on the expansion of our customer base in the United States and internationally and increasing our profitability. Achieving these objectives is expected to require additional investments in certain personnel and initiatives, as well as enhancements to our manufacturing efficiency and effectiveness. We believe that we will continue to incur net losses in the near term in order to achieve these objectives. However, we believe that 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 and costs associated with participation in medical conferences, physician symposia and promotional activities.

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 first quarter of 2016 compared to the first quarter 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) (In Thousands)	Three Months Ended March 31, 2016	2015	$ Change	% Change
Revenue:				
U.S. OmniPod	**$ 50,712**	$ 39,695	$ 11,017	28 %
International OmniPod	**15,380**	3,780	11,600	307 %
Drug Delivery	**15,121**	4,673	10,448	224 %
Total revenue	**81,213**	48,148	33,065	69 %
Cost of revenue	**37,162**	18,955	18,207	96 %
Gross profit	**44,051**	29,193	14,858	51 %
Gross margin	**54.2%**	60.6%		
Operating expenses:				
Research and development	**12,989**	8,207	4,782	58 %
Sales and marketing	**24,022**	14,710	9,312	63 %
General and administrative	**14,739**	13,542	1,197	9 %
Total operating expenses	**51,750**	36,459	15,291	42 %
Operating loss	**(7,699)**	(7,266)	433	6 %
Interest and other expense, net	**(2,926)**	(3,152)	(226)	(7)%
Income tax expense	**(64)**	(24)	40	167 %
Loss on discontinued operations, net of tax ($408 and $28 for three months ended March 31, 2016 and 2015, respectively)	**(1,792)**	(1,392)	400	29 %
Net loss	**$ (12,481)**	$ (11,834)	$ 647	5 %

Revenue

Our total revenue increased to $81.2 million , up $33.1 million , or 69% , in the first quarter of 2016 compared to the first quarter of 2015, led by growth in our international OmniPod revenue, U.S. OmniPod revenue and our on-body injection device for drug delivery. Our U.S. OmniPod revenue increased due to growth in our installed base of OmniPod users, as well as higher distributor sales, which were partially driven by unfavorable distributor ordering patterns in the first quarter of 2015. Our drug delivery revenue increased due to strong growth in demand for our drug delivery device following regulatory approval in December 2014. Our international OmniPod revenue increased due to higher distributor sales, which were partially driven by unfavorable distributor ordering patterns in the first quarter of 2015.

For the year ending December 31, 2016 we expect strong revenue growth in our continuing operations from all of our product lines as we continue our expansion in the United States and internationally. We continue to 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 as we increase commercial sales. Increased revenue is dependent upon the success of our sales efforts, our customer retention and our ability to produce our products in sufficient volumes as our patient base grows and is subject to other risks and uncertainties.

Cost of Revenue

Cost of revenue increased $18.2 million in the first quarter of 2016 compared to the same period in 2015 primarily due to an increase in sales volumes and $1.9 million of costs indirectly attributable to a voluntary Field Safety Notification we initiated in November 2015. The increase also reflects an increased investment in product quality and related policies and procedures, which contributed to a $0.6 million increase in warranty expense year over year.

Gross Margin

Gross margin in the first quarter of 2016 decreased by approximately six points compared to the same period in 2015 primarily driven by the increase in cost of revenue discussed above and the unfavorable impact on gross margin of product mix year over year, largely attributable to the level of increased international OmniPod sales.

For the year ending December 31, 2016, we expect gross margin to increase primarily from enhancements to our manufacturing efficiency and effectiveness.

Research and Development

Research and development expenses increased $4.8 million to $13.0 million for the three months ended March 31, 2016 , compared to $8.2 million for the same period in 2015 . The increase was the result of expenses related to our development projects, including our artificial pancreas program, mobile application development, 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, development efforts with Eli Lilly for the use of concentrated insulin, mobile application development, integration with continuous glucose monitoring technology, and the continued investment to support the use our technology as a delivery platform for other pharmaceuticals.

Sales and Marketing

Sales and marketing expenses increased $9.3 million to $24.0 million for the three months ended March 31, 2016 , compared to $14.7 million for the same period in 2015 . The increase was mainly the result of a $7.0 million increase in employee related expenses associated with the expansion in 2015 of our sales force and customer support personnel. 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 drug delivery.

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 increased $1.2 million to $14.7 million for the three months ended March 31, 2016 , compared to $13.5 million for the same period in 2015 , mainly the result of a $0.5 million increase in shipping costs and a $0.3 million increase in allowance for doubtful accounts expenses.

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 and Other Expense, Net

Interest and other expense, net was $2.9 million for the three months ended March 31, 2016 , compared to $3.2 million in 2015 . The slight decrease is driven by declining interest on our capital leases.

Liquidity and Capital Resources

As of March 31, 2016 , we had $111.6 million in cash and cash equivalents. We believe that our current cash and cash equivalents, 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 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.

Cash interest expense related to the 2% Notes was $1.0 million in the three months ended March 31, 2016 and 2015 . Non-cash interest expense related to the 2% Notes was $2.0 million and $1.9 million in the three months ended March 31, 2016 and 2015 , respectively.

As of March 31, 2016 , we included $173.7 million on the balance sheet in long-term debt related to the 2% Notes, which represents the principal amount of the notes, less unamortized debt discount and deferred financing costs.

Additional information regarding our debt issuances is provided in note 5 to the consolidated financial statements included in this Form 10-Q.

Capital Leases

As of March 31, 2016 and December 31, 2015 , we have approximately $13.7 million of manufacturing equipment acquired under capital leases. The obligations under the capital leases are being repaid in equal monthly installments over 24 to 36 month terms and include principal and interest payments with an effective interest rate of 13% to 17% . At March 31, 2016 , $4.4 million was included in current liabilities on our balance sheet related to these capital leases.

Additional information regarding our capital leases is provided in note 6 to the consolidated financial statements included in this Form 10-Q.

Summary of Cash Flows

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Cash (used in) provided by:		
Operating activities	**$ (10,517)**	$ (3,488)
Investing activities	**1,454**	(4,346)
Financing activities	**(2,184)**	2,249
Effect of exchange rate changes on cash	**210**	—
Net (decrease) increase in cash and cash equivalents	**$ (11,037)**	$ (5,585)

Operating Activities

Our net cash used in operating activities for the three months ended March 31, 2016 was $10.5 million compared to $3.5 million in the same period of 2015. The increase was primarily due to the increased investment in business operations in 2016 to support the growth of the business.

Investing Activities

Our net cash provided by investing activities in the three months ended March 31, 2016 was $1.5 million compared to net cash used in investing activities of $4.3 million in 2015. The increase primarily related to the divestiture of our Neighborhood Diabetes business in February 2016 and lower capital purchases in the first quarter of 2016 compared to 2015.

Financing Activities

We had net cash used in financing activities for the three months ended March 31, 2016 of $2.2 million compared to $2.2 million in net cash provided by financing activities in 2015. The decrease was primarily attributable to a decrease in proceeds from the exercise of employee stock options.

Commitments and Contingencies

We lease our facilities in Massachusetts, 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 balance sheets.

The following table summarizes our principal obligations as of March 31, 2016 (in thousands):

Contractual Obligations	Total	2016 (remaining)	2017	2018	2019	2020	Later
Operating lease obligations	$ 14,270	$ 1,678	$ 2,181	$ 2,162	$ 2,169	$ 2,146	$ 3,934
Debt obligations (1)	215,170	4,025	4,025	4,025	203,095	—	—
Capital lease obligations (2)	4,628	4,359	269	—	—	—	—
Purchase obligations	1,676	1,676	—	—	—	—	—
Total contractual obligations	$ 235,744	$ 11,738	$ 6,475	$ 6,187	$ 205,264	$ 2,146	$ 3,934

(1) The interest rate on the convertible debt is 2% per annum. We have included future payments of interest on the long-term debt in our obligations.

(2) The effective interest rate on the capital lease obligations is 13-17%. We have included future payments of interest on the capital leases in our obligations.

Legal Proceedings

The significant estimates and judgments related with establishing litigation reserves are discussed under "Legal Proceedings" in note 12 of the consolidated financial statements included under Item 8 of this Form 10-K.

Off-Balance Sheet Arrangements

As of March 31, 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 three months ended March 31, 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, accounts receivable, accounts payable, accrued expenses 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 March 31, 2016 , we had outstanding debt recorded on our consolidated balance sheet of $201.3 million related to our 2% Notes and $4.4 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.

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 March 31, 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 March 31, 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 March 31, 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 12 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 .

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
10.1	Form of Section 16 Officer Performance Vesting Restricted Stock Unit Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan
10.2	Form of Vice President Performance Vesting Restricted Stock Unit Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan
10.3	Insulet Corporation Amended and Restated Executive Severance Plan
10.4	Insulet Corporation Third Amended and Restated 2007 Employee Stock Purchase Plan
31.1	Certification of Patrick J. Sullivan, President and 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, President and 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 March 31, 2016, formatted in XBRL (eXtensible Business Reporting Language), as follows:
	(i) Consolidated Balance Sheets as of March 31, 2016 (Unaudited) and December 31, 2015
	(ii) Consolidated Statements of Operations for the Three Months Ended March 31, 2016 and March 31, 2015 (Unaudited)
	(iii) Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2016 and March 31, 2015 (Unaudited)
	(iv) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 and March 31, 2015 (Unaudited)
	(iv) Condensed Notes to Consolidated Financial Statements (Unaudited)

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: April 29, 2016	/s/ Patrick J. Sullivan
	Patrick J. Sullivan
	President and Chief Executive Officer (Principal Executive Officer)
Date: April 29, 2016	/s/ Michael L. Levitz
	Michael L. Levitz
	Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 10.1

PERFORMANCE VESTING RESTRICTED STOCK UNIT AGREEMENT

UNDER THE INSULET CORPORATION THIRD
AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:
No. of Restricted Stock Units Granted:
Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants a deferred stock award under Section 8 of the Plan of the target number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value $0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan. The actual number of Restricted Stock Units to be earned by the Grantee may be more or less than the target number.

1. Acceptance of Award . The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award. Any consideration due to the Company on the issuance of the Award has been deemed to be satisfied by past services rendered by the Grantee to the Company.

2. Restrictions on Transfer of Award . This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Section 3 or Section 4 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

3. Vesting of Restricted Stock Units . The Restricted Stock Units are subject to both performance-based vesting and time-based vesting as described in paragraphs (a) and (b) below, both of which must be satisfied before the Restricted Stock Units will be deemed vested. The number of Restricted Stock Units that may be earned in accordance with this Section 3 may be more or less than the Target Award. In no event will the number of Restricted Stock Units earned hereunder exceed 200% of the Target Award (the "Maximum Award").

(a) Performance-Based Vesting . The number of Restricted Stock Units earned by the Grantee shall be determined on the date the Administrator makes a determination regarding the achievement of the performance metric set forth below, provided that the Grantee continues to have a Service Relationship with the Company or a Subsidiary (as defined in the Plan) on such date. For purposes hereof, "Service Relationship" means any relationship as a full-time employee, part-time employee or director of the Company or any Subsidiary or any successor entity (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual's status changes from full-time employee to part-time employee or Non-Employee Director).

Aggregate Company Revenue for the Fiscal Years Ending December 31, 2016 and 2017*	Number of Restricted Stock Units
Less than $715,000,000	0
$715,000,000	50% of the Target Award (the "Threshold Award")
$715,000,001 - $749,999,999	Percentage determined pursuant to Section 3(c) below
$750,000,000	100% of the Target Award
$750,000,001 - $784,999,999	Percentage determined pursuant to Section 3(c) below
$785,000,000 or more	200% of the Target Award

*Target and result amounts shall be adjusted to exclude the effects of any acquisitions or divestitures occurring between the date of grant and December 31, 2017.

The determination of whether the performance metric has been achieved shall be made by the Administrator with reference to the Company's audited financial statements. The Administrator shall review the Company's audited financial statements for the two year period ending December 31, 2017 promptly after their completion to determine whether the performance metric set forth above has been achieved for purposes of this Section 3.

For the avoidance of doubt, in the event the Administrator determines that the Company's aggregate revenue for the fiscal years ending December 31, 2016 and 2017 is less than $715,000,000, no portion of this Award shall be earned by the Grantee and the entire Award shall automatically and without notice terminate, be forfeited and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

(b) Time-Based Vesting . To the extent earned by the Grantee as provided in Section 3(a) above, the Restricted Stock Units shall vest as to one-half of the aggregate number of such earned Restricted Stock Units on (i) the later of the Determination Date or the second anniversary of the Grant Date and (ii) the third anniversary of the Grant Date (each such date, a "Vesting Date") provided that the Grantee continues to have a Service Relationship with the Company or a Subsidiary on the applicable Vesting Date. The Administrator may at any time accelerate the vesting schedule specified in this Section 3(b).

(c) Interpolation . To the extent that the Company's aggregate revenues for the fiscal years ending December 31, 2016 and 2017 ("2016-2017 Revenues") are more than $715,000,000 but less than $750,000,000, then the number of Restricted Stock Units earned by the Grantee shall equal the sum of (i) the Threshold Award, plus (ii) that number of Restricted Stock Units equal to the product of (A) the positive difference between the Target Award and the Threshold Award, multiplied by (B) a fraction, the numerator of which is the amount by which the 2016-2017 Revenues exceeded $715,000,000, and the denominator of which is $35,000,000. To the extent that the 2016-2017 Revenues are more than $750,000,000 but less than $785,000,000, then the number of Restricted Stock Units earned by the Grantee shall equal the sum of (i) the Target Award, plus (ii) that number of Restricted Stock Units equal to the product of (A) the positive difference between the Maximum Award and the Target Award, multiplied by (B) a fraction, the numerator of which is the amount by which the 2016-2017 Revenues exceeded $750,000,000, and the denominator of which is $35,000,000.

4. Termination of Service Relationship . If the Grantee's Service Relationship with the Company or a Subsidiary is terminated prior to the vesting or termination of this Award, the following shall occur:

(a) Termination Due to Death or Disability . If the Grantee's Service Relationship terminates by reason of the Grantee's death or disability (as determined by the Administrator) on or prior to December 31, 2017, 100% of the Target Award shall be deemed earned by the Grantee and shall become fully vested on the date of such termination. If the Grantee's Service Relationship terminates by reason of the Grantee's death or disability (as determined by the Administrator), after December 31, 2017, the number of Restricted Stock Units earned by the Grantee shall be determined as provided in Section 3(a) and the full amount of the Award so earned shall become fully vested and nonforfeitable on the later of the date of such termination or the Determination Date.

(b) Termination for any Reason Other Than Death or Disability . If the Grantee's Service Relationship with the Company and its Subsidiaries terminates for any reason other than the Grantee's death or disability prior to the satisfaction of the vesting conditions set forth in Section 3 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

(c) Termination in Connection with a Sale Event. Notwithstanding Section 4(b) above, if the Grantee's Service Relationship with the Company or its Subsidiaries is terminated by the Company without Cause or by the Grantee for Good Reason, in either case within 24 months after a Sale Event (such event a "Qualifying Termination") the Award shall vest as follows: (i) if the Qualifying Termination occurs on or before December 31, 2017, 100% of the Target Award shall be deemed earned by the Grantee and shall become fully vested and nonforfeitable as of the date of the Qualifying Termination and (ii) if the Qualifying Termination occurs after December 31, 2017, the number of Restricted Stock Units earned by the Grantee shall be determined as provided in Section 3(a) and the full amount of the Award earned shall become fully vested and nonforfeitable as of the later of the date of the Qualifying Termination or the Determination Date.

For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events: (i) conduct by the Grantee constituting a material act of willful misconduct in connection with the performance of Grantee's duties to the Company, including, without limitation, misappropriation of funds or property of the Company or any of its Subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or (ii) the commission by the Grantee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Grantee that would reasonably be expected to result in material injury to the Company or any of its Subsidiaries and affiliates if he were retained in his position; or (iii) willful and deliberate material non-performance by the Grantee of his duties to the Company (other than by reason of the Grantee's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Company; or (iv) a breach by the Grantee of any of the provisions contained any agreements between Grantee and the Company relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; or (v) a material violation by the Grantee of the Company's employment policies which has continued following written notice of such violation from the Company; or (vi) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation. For purposes of clauses (i), (iii) or (vi) hereof, no act, or failure to act, on Grantee's part shall be deemed "willful" unless done, or omitted to be done, by the Grantee without reasonable belief that the Grantee's act or failure to act, was in the best interest of the Company and its Subsidiaries and affiliates.

For purposes of this Agreement, “Good Reason” shall mean that the Grantee has complied with the “Good Reason Process” (hereinafter defined) following the occurrence of any of the following events: (i) a material diminution in Grantee’s responsibilities, authority or duties; or (ii) a material reduction in Grantee’s then current base salary except for across-the-board salary reductions similarly affecting all or substantially all similarly situated employees; or (iii) the relocation of the Company offices at which the Grantee is principally employed to a location more than 30 miles from such offices. For purposes of clause (i) hereof, a change in the reporting relationship, or a change in a title will not, by itself, be sufficient to constitute a material diminution of responsibilities, authority or duty. “Good Reason Process” shall mean: (i) Grantee reasonably determines in good faith that a “Good Reason” condition has occurred; (ii) Grantee notifies the Company in writing of the occurrence of the Good Reason condition within 30 days of the occurrence of such condition; (iii) Grantee cooperates in good faith with the Company’s efforts, for a period not less than 30 days following such notice (the “Cure Period”), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) Grantee terminates his Service Relationship within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

5. Issuance of Shares of Stock . As soon as practicable following each Vesting Date (but in no event later than two and one half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units earned by the Grantee that have vested pursuant to Section 3 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares, including voting and dividend rights, and such shares of Stock shall not be restricted by the provisions hereof.

6. Incorporation of Plan . Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

7. Tax Withholding . The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required minimum tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Section 409A of the Code . This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as “short-term deferrals” as described in section 409A of the Code.

9. No Obligation to Continue Service Relationship . Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee’s Service Relationship and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Service Relationship of the Grantee at any time.

10. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

13. Clawback. The Grantee agrees and acknowledges that the entire Award, whether or not vested or exercised, is subject to the terms and provisions of the Company's Policy for Recoupment of Incentive Compensation, to the extent applicable.

INSULET CORPORATION

____

By: Patrick J. Sullivan

Title: Chief Executive Officer

____

Grantee Name:

Grantee Acceptance Date

FORM OF PERFORMANCE VESTING RESTRICTED STOCK UNIT AGREEMENT

UNDER THE INSULET CORPORATION THIRD

AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:
No. of Restricted Stock Units Granted:
Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants a deferred stock award under Section 8 of the Plan of the target number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value $0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan. The actual number of Restricted Stock Units to be earned by the Grantee may be more or less than the target number.

1. Acceptance of Award . The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award. Any consideration due to the Company on the issuance of the Award has been deemed to be satisfied by past services rendered by the Grantee to the Company.

2. Restrictions on Transfer of Award . This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Section 3 or Section 4 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

3. Vesting of Restricted Stock Units . The Restricted Stock Units are subject to both performance-based vesting and time-based vesting as described in paragraphs (a) and (b) below, both of which must be satisfied before the Restricted Stock Units will be deemed vested. The number of Restricted Stock Units that may be earned in accordance with this Section 3 may be more or less than the Target Award. In no event will the number of Restricted Stock Units earned hereunder exceed 125% of the Target Award (the "Maximum Award").

(a) Performance-Based Vesting . The number of Restricted Stock Units earned by the Grantee shall be determined on the date the Administrator makes a determination regarding the achievement of the performance metric set forth below, provided that the Grantee is then, and since the Grant Date has continuously been, employed by the Company or its Subsidiaries.

Aggregate Company Revenue for the Fiscal Years Ending December 31, 2016 and 2017*	Number of Restricted Stock Units
Less than $715,000,000	0
$715,000,000	50% of the Target Award (the "Threshold Award")
$715,000,001 - $749,999,999	Percentage determined pursuant to Section 3(c) below
$750,000,000	100% of the Target Award
$750,000,001 - $784,999,999	Percentage determined pursuant to Section 3(c) below
$785,000,000 or more	200% of the Target Award

*Target and result amounts shall be adjusted to exclude the effects of any acquisitions or divestitures occurring between the date of grant and December 31, 2017.

The determination of whether the performance metric has been achieved shall be made by the Administrator with reference to the Company's audited financial statements. The Administrator shall review the Company's audited financial statements for the two year period ending December 31, 2017 promptly after their completion to determine whether the performance metric set forth above has been achieved for purposes of this Section 3.

For the avoidance of doubt, in the event the Administrator determines that the Company's aggregate revenue for the fiscal years ending December 31, 2016 and 2017 is less than $715,000,000, no portion of this Award shall be earned by the Grantee and the entire Award shall automatically and without notice terminate, be forfeited and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

(b) Time-Based Vesting. To the extent earned by the Grantee as provided in Section 3(a) above, the Restricted Stock Units shall vest as to one-half of the aggregate number of such earned Restricted Stock Units on (i) the later of the Determination Date or the second anniversary of the Grant Date and (ii) the third anniversary of the Grant Date (each such date, a "Vesting Date") provided that the Grantee is then, and since the Grant Date has continuously been, employed by the Company or its Subsidiaries on the applicable Vesting Date. The Administrator may at any time accelerate the vesting schedule specified in this Section 3(b).

(c) Interpolation. To the extent that the Company's aggregate revenues for the fiscal years ending December 31, 2016 and 2017 ("2016-2017 Revenues") are more than $715,000,000 but less than $750,000,000, then the number of Restricted Stock Units earned by the Grantee shall equal the sum of (i) the Threshold Award, plus (ii) that number of Restricted Stock Units equal to the product of (A) the positive difference between the Target Award and the Threshold Award, multiplied by (B) a fraction, the numerator of which is the amount by which the 2016-2017 Revenues exceeded $715,000,000, and the denominator of which is $35,000,000. To the extent that the 2016-2017 Revenues are more than $750,000,000 but less than $785,000,000, then the number of Restricted Stock Units earned by the Grantee shall equal the sum of (i) the Target Award, plus (ii) that number of Restricted Stock Units equal to the product of (A) the positive difference between the Maximum Award and the Target Award, multiplied by (B) a fraction, the numerator of which is the amount by which the 2016-2017 Revenues exceeded $750,000,000, and the denominator of which is $35,000,000.

4. Termination of Employment. If the Grantee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated prior to the vesting or termination of this Award, the following shall occur:

(a) Termination Due to Death or Disability . If the Grantee's employment with the Company and its Subsidiaries terminates by reason of the Grantee's death or disability (as determined by the Administrator) on or prior to December 31, 2017, 100% of the Target Award shall be deemed earned by the Grantee and shall become fully vested on the date of such termination. If the Grantee's employment with the Company and its Subsidiaries terminates by reason of the Grantee's death or disability (as determined by the Administrator), after December 31, 2017, the number of Restricted Stock Units earned by the Grantee shall be determined as provided in Section 3(a) and the full amount of the Award so earned shall become fully vested and nonforfeitable on the later of the date of such termination or the Determination Date.

(b) Termination for any Reason Other Than Death or Disability . If the Grantee's employment with the Company and its Subsidiaries terminates for any reason other than the Grantee's death or disability prior to the satisfaction of the vesting conditions set forth in Section 3 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

(c) Termination in Connection with a Sale Event. Notwithstanding Section 4(b) above, if the Grantee's employment with the Company and its Subsidiaries is terminated by the Company without Cause or by the Grantee for Good Reason, in either case within 24 months after a Sale Event (such event a "Qualifying Termination") the Award shall vest as follows: (i) if the Qualifying Termination occurs on or before December 31, 2017, 100% of the Target Award shall be deemed earned by the Grantee and shall become fully vested and nonforfeitable as of the date of the Qualifying Termination and (ii) if the Qualifying Termination occurs after December 31, 2017, the number of Restricted Stock Units earned by the Grantee shall be determined as provided in Section 3(a) and the full amount of the Award earned shall become fully vested and nonforfeitable as of the later of the date of the Qualifying Termination or the Determination Date.

For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events: (i) conduct by the Grantee constituting a material act of willful misconduct in connection with the performance of Grantee's duties to the Company, including, without limitation, misappropriation of funds or property of the Company or any of its Subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or (ii) the commission by the Grantee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Grantee that would reasonably be expected to result in material injury to the Company or any of its Subsidiaries and affiliates if he were retained in his position; or (iii) willful and deliberate material non-performance by the Grantee of his duties to the Company (other than by reason of the Grantee's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Company; or (iv) a breach by the Grantee of any of the provisions contained any agreements between Grantee and the Company relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; or (v) a material violation by the Grantee of the Company's employment policies which has continued following written notice of such violation from the Company; or (vi) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation. For purposes of clauses (i), (iii) or (vi) hereof, no act, or failure to act, on Grantee's part shall be deemed "willful" unless done, or omitted to be done, by the Grantee without reasonable belief that the Grantee's act or failure to act, was in the best interest of the Company and its Subsidiaries and affiliates.

For purposes of this Agreement, "Good Reason" shall mean that the Grantee has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (i) a material diminution in Grantee's responsibilities, authority or duties; or (ii) a material reduction in Grantee's then current base salary except for across-the-board salary reductions similarly affecting all or substantially all similarly situated employees; or (iii) the relocation of the Company offices at which the Grantee is principally employed to a location more than 30 miles from such offices. For purposes of clause (i) hereof, a change in the reporting relationship, or a change in a title will not, by itself, be sufficient to constitute a material diminution of responsibilities, authority or duty. "Good Reason Process" shall mean: (i) Grantee reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) Grantee notifies the Company in writing of the occurrence of the Good Reason condition within 30 days of the occurrence of such condition; (iii) Grantee cooperates in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) Grantee terminates his employment within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

The Administrator's determination of the reason for termination of the Grantee's employment shall be conclusive and binding on the Grantee and his or her representatives or legatees.

5. Issuance of Shares of Stock . As soon as practicable following each Vesting Date (but in no event later than two and one half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units earned by the Grantee that have vested pursuant to Section 3 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares, including voting and dividend rights, and such shares of Stock shall not be restricted by the provisions hereof.

6. Incorporation of Plan . Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

7. Tax Withholding . The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required minimum tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Section 409A of the Code . This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in section 409A of the Code.

9. No Obligation to Continue Employment Relationship . Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee's employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate employment of the Grantee at any time.

10. Integration . This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent . In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

13. Clawback. The Grantee agrees and acknowledges that the entire Award, whether or not vested or exercised, is subject to the terms and provisions of the Company's Policy for Recoupment of Incentive Compensation, to the extent applicable.

INSULET
CORPORATION

____

By: Patrick J. Sullivan

Title: Chief Executive Officer

____

Grantee Name:

Grantee Acceptance Date

EXHIBIT 10.3

INSULET CORPORATION

AMENDED AND RESTATED EXECUTIVE SEVERANCE PLAN

1. Purpose . Insulet Corporation (the "Company") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. The Board of Directors of the Company (the "Board") recognizes, however, that, as is the case with many publicly held corporations, the possibility of an involuntary termination of employment, either before or after a Change in Control (as defined in Section 2 hereof), exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders. Therefore, the Board has determined that the Insulet Corporation Amended and Restated Executive Severance Plan (the "Plan") should be adopted to reinforce and encourage the continued attention and dedication of the Company's officers with the title of Vice President or higher (each, a "Covered Executive" and collectively, the "Covered Executives") to their assigned duties without distraction. Nothing in this Plan shall be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Covered Executive and the Company, the Covered Executive shall not have any right to be retained in the employ of the Company.

2. Definitions . The following terms shall be defined as set forth below:

(a) " *Base Salary* " shall mean the annual base salary in effect immediately prior to the Terminating Event.
(b) " *Cause* " shall mean, and shall be limited to, the occurrence of any one or more of the following events:

(i) conduct by the Covered Executive constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of its subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or

(ii) the commission by the Covered Executive of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Covered Executive that would reasonably be expected to result in material injury to the Company or any of its subsidiaries and affiliates if he were retained in his position; or

(iii) willful and deliberate material non-performance by the Covered Executive of his duties hereunder (other than by reason of the Covered Executive's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Company; or

(iv) a breach by the Covered Executive of any of the provisions contained in Section 5 of this Plan; or

(v) a material violation by the Covered Executive of the Company's employment policies which has continued following written notice of such violation from the Company; or

(vi) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation.

(vii)

For purposes of clauses (i), (iii) or (vi) hereof, no act, or failure to act, on the Covered Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Covered Executive without reasonable belief that the Covered Executive's act or failure to act, was in the best interest of the Company and its subsidiaries and affiliates.

(c) " *Change in Control* " shall be deemed to have occurred upon the occurrence of any one of the following events, so long as such event constitutes a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company for purposes of Section 409A of the Code:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Act") (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or

(ii) persons who, as of the date hereof, constitute the Board (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the date hereof shall be considered an Incumbent Director if such person's election was approved by or such person was nominated for election by either (A) a vote of at least a majority of the Incumbent Directors or (B) a vote of at least a majority of the Incumbent Directors who are members of a nominating committee comprised, in the majority, of Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(iii) the consummation of (A) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate more than 50 percent of the voting shares of the Company issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), or (B) any sale or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a “Change in Control” shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company that, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to 50 percent or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns 50 percent or more of the combined voting power of all then outstanding Voting Securities, then a “Change in Control” shall be deemed to have occurred for purposes of the foregoing clause (i).

(d) *“Code”* shall mean the Internal Revenue Code of 1986, as amended.

(e) *“Good Reason”* shall mean that the Covered Executive has complied with the “Good Reason Process” (hereinafter defined) following the occurrence of any of the following events:

(i) a material diminution in the Covered Executive’s responsibilities, authority or duties; or

(ii) a material reduction in the Covered Executive’s Base Salary except for across-the-board salary reductions similarly affecting all or substantially all management employees; or

(iii) the relocation of the Company offices at which the Covered Executive is principally employed to a location more than 50 miles from such offices.

For purposes of Section 2(e)(i), a change in the reporting relationship, or a change in a title will not, by itself, be sufficient to constitute a material diminution of responsibilities, authority or duty.

(f) “Good Reason Process” shall mean:

(i) the Covered Executive reasonably determines in good faith that a “Good Reason” condition has occurred;

(ii) the Covered Executive notifies the Company in writing of the occurrence of the Good Reason condition within 30 days of the occurrence of such condition;

(iii) the Covered Executive cooperates in good faith with the Company’s efforts, for a period not less than 30 days following such notice (the “Cure Period”), to remedy the condition;

(iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and

(v) the Covered Executive terminates his employment within 30 days after the end of the Cure Period.

If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

(g) *"Pro-Rata Bonus"* shall mean an amount equal to a pro rata portion of the cash incentive award for the year of termination based on the degree to which the applicable Company-based financial performance metrics for the year of termination were satisfied, and assuming target achievement of any performance metrics related to individual performance.

(h) *"Terminating Event"* shall mean any of the following events: (i) termination by the Company of the employment of the Covered Executive for any reason other than for Cause, death or disability; or (ii) during the 24-month period following the occurrence of a Change in Control, the termination by the Covered Executive of his or her employment with the Company for Good Reason. Notwithstanding the foregoing, a Terminating Event shall not be deemed to have occurred herein solely as a result of the Covered Executive being an employee of any direct or indirect successor to the business or assets of the Company.

3. Termination Benefits . In the event a Terminating Event occurs with respect to a Covered Executive, the Company shall pay or provide to the Covered Executive any earned but unpaid Base Salary, unpaid expense reimbursements, accrued but unused vacation and any vested benefits the Covered Executive may be entitled to under any employee benefit plan of the Company within the time required by law but in no event more than 30 days after the Terminating Event. In such event, the Covered Executive shall also remain eligible to receive a cash incentive award for the year prior to the Covered Executive's termination to the extent any such bonus has not yet been determined and/or paid, in which case such bonus, if earned by the Covered Executive under the terms of the applicable cash incentive plan, shall be paid at the same time as payments are made to other participants in the applicable cash incentive plan, but in no event later than March 15 of the year of the Terminating Event.

(a) Additional Benefits Upon Termination Without Change in Control . In the event that the Terminating Event occurs at a time when no Change in Control has occurred, then subject to and contingent upon the Covered Executive's continued satisfaction of the obligations imposed on the Covered Executive pursuant to Section 5 and the execution of a general release of claims as provided by the Company (the "Release") by the Covered Executive and the expiration of any revocation period with respect to such Release within 60 days of the Terminating Event, the Company shall:

(i) pay the Covered Executive an amount equal to one times (two times if the Covered Executive is the Company's Chief Executive Officer) the amount of the Base Salary of the Covered Executive;

(ii) solely in the case of a Covered Executive who is a President, Senior Vice President or Executive Vice President of the Company, pay the Covered Executive an amount equal to one times the higher of the Covered Executive's target cash incentive plan bonus for the year of the Covered Executive's termination or actually achieved cash incentive plan bonus for the year prior to the Covered Executive's termination;

(iii) solely in the case of a Covered Executive who is a President, Senior Vice President or Executive Vice President of the Company, pay the Covered Executive the Pro-Rata Bonus;

(iv) continue to provide health and dental insurance coverage to the Covered Executive, on the same terms and conditions as though the Covered Executive had remained an active employee, for 12 months (24 months if the Covered Executive is the Company's Chief Executive Officer) following the Terminating Event; and

(v) reimburse the Covered Executive for outplacement services not to exceed $15,000, provided that such expenses are incurred by the Covered Executive within 12 months of the termination of employment and such reimbursement shall be made by the Company within 30 days of receipt of satisfactory evidence of such expenses (and in no event later than the end of the calendar year following the calendar year in which the expense was incurred).

The amounts set forth in Sections 3(a)(i) and (ii) shall be paid, subject to Section 9 and clause (b) below, in substantially equal installments in accordance with the Company's payroll practice over 12 (24 months if the Covered Executive is the Company's Chief Executive Officer) months; provided, however, that payments for the first 2 months of the period shall not be made until the first payroll date that occurs following the 60-day period beginning on the date of the Terminating Event. The amount, if any, set forth in Section 3(a)(iii) shall be paid at the same time as bonuses are paid to executives of the Company generally, but in no event later than March 15 of the year following the completion of the performance period.

(b) Additional Benefits Upon Termination Following Change in Control . In the event that the Terminating Event occurs after the occurrence of a Change in Control, then subject to and contingent upon the Covered Executive's continued satisfaction of the obligations imposed on the Covered Executive pursuant to Section 5 and the execution of the Release by the Covered Executive and the expiration of any revocation period with respect to such Release within 60 days of the Terminating Event, the Company shall:

(i) pay and provide the Covered Executive each of the benefits and amounts provided for under Sections 3(a)(i), (a)(ii), (a)(iii), (a)(iv) and (a)(v) above, except that (A) the full amount of the payments provided for under clause (a)(i) and (a)(ii) shall be made via a single lump sum payment paid on the first business day following the expiration of the 60-day period beginning on the date of the Terminating Event and (B) the amounts set forth in Sections 3(a)(ii) and (3)(a)(iii) shall be payable to a Covered Executive even if such person is not a President, Senior Vice President or Executive Vice President of the Company; and

(ii) if the Change in Control occurred no more than 24 months prior to the Terminating Event, cause all outstanding stock options and other stock-based awards held by the Covered Executive to immediately accelerate and become fully exercisable or nonforfeitable as of the Covered Executive's Terminating Event.

4. Additional Limitation .

(a) Anything in this Plan to the contrary notwithstanding, in the event that any compensation, payment or distribution by the Company to or for the benefit of the Covered Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the "Severance Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, the following provisions shall apply:

(i) If the Severance Payments, reduced by the sum of (A) the Excise Tax and (B) the total of the Federal, state, and local income and employment taxes payable by the Covered Executive on the amount of the Severance Payments which are in excess of the Threshold Amount, are greater than or equal to the Threshold Amount, the Covered Executive shall be entitled to the full benefits payable under this Plan.

(ii) If the Threshold Amount is less than (A) the Severance Payments, but greater than (B) the Severance Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Severance Payments which are in excess of the Threshold Amount, then the benefits payable under this Plan shall be reduced (but not below zero) to the extent necessary so that the sum of all Severance Payments shall not exceed the Threshold Amount. In such event, the Severance Payments shall be reduced in the following order: (1) cash payments not subject to Section 409A of the Code; (2) cash payments subject to Section 409A of the Code; (3) equity-based payments and acceleration; and (4) non-cash forms of benefits. To the extent any payment is to be made over time (e.g., in installments, etc.), then the payments shall be reduced in reverse chronological order.

(b) For the purposes of this Section 4, "Threshold Amount" shall mean three times the Covered Executive's "base amount" within the meaning of Section 280G(b)(3) of the Code and the regulations promulgated thereunder less one dollar ($1.00); and "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by the Covered Executive with respect to such excise tax.

(c) The determination as to which of the alternative provisions of Section 4(a) shall apply to the Covered Executive shall be made by a nationally recognized accounting firm selected by the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Covered Executive within 15 business days of the Terminating Event, if applicable, or at such earlier time as is reasonably requested by the Company or the Covered Executive. For purposes of determining which of the alternative provisions of Section 4(a) shall apply, the Covered Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of the Covered Executive's residence on the Terminating Event, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Any determination by the Accounting Firm shall be binding upon the Company and the Covered Executive.

5. Confidential Information, Noncompetition and Cooperation.

(a) Confidentiality. The Covered Executive understands and agrees that the Covered Executive's employment creates a relationship of confidence and trust between the Covered Executive and the Company with respect to all Confidential Information (as defined below). At all times, both during the Covered Executive's employment with the Company and after his or her termination, the Covered Executive will keep in confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Company, except as may be necessary in the ordinary course of performing the Covered Executive's duties to the Company.

(b) Confidential Information. As used in this Plan, "Confidential Information" means information belonging to the Company which is of value to the Company in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Company. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Company. Confidential Information includes information developed by the Covered Executive in the course of the Covered Executive's employment by the Company, as well as other information to which the Covered Executive may have access in connection with the Covered Executive's employment. Confidential Information also includes the confidential information of others with which the Company has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain, unless due to breach of the Covered Executive's duties under Section 5(a).

(c) Documents, Records, etc . All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, which are furnished to the Covered Executive by the Company or are produced by the Covered Executive in connection with the Covered Executive's employment will be and remain the sole property of the Company. The Covered Executive will return to the Company all such materials and property as and when requested by the Company. In any event, the Covered Executive will return all such materials and property immediately upon termination of the Covered Executive's employment for any reason. The Covered Executive will not retain with the Covered Executive any such material or property or any copies thereof after such termination.

(d) Noncompetition and Nonsolicitation . During the employment of the Covered Executive and for 12 months (24 months if the Covered Executive is the Company's Chief Executive Officer) thereafter, the Covered Executive (i) will not, directly or indirectly, whether as owner, partner, shareholder, consultant, agent, employee, co-venturer or otherwise, engage, participate, assist or invest in any Competing Business (as hereinafter defined); (ii) will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave employment with the Company (other than terminations of employment of subordinate employees undertaken in the course of the Covered Executive's employment with the Company); and (iii) will refrain from soliciting or encouraging any customer or supplier to terminate or otherwise modify adversely its business relationship with the Company. The Covered Executive understands that the restrictions set forth in this Section 5(d) are intended to protect the Company's interest in its Confidential Information and established employee, customer and supplier relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose. For purposes of this Plan, the term "Competing Business" shall mean a business conducted anywhere in the United States that is competitive with any business which the Company or any of its affiliates conducts or proposes to conduct at any time during the employment of the Covered Executive. Notwithstanding the foregoing, the Covered Executive may own up to one percent of the outstanding stock of a publicly held corporation which constitutes or is affiliated with a Competing Business.

(e) Litigation and Regulatory Cooperation . During and after the Covered Executive's employment, the Covered Executive shall cooperate fully with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while the Covered Executive was employed by the Company. The Covered Executive's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after the Covered Executive's employment, the Covered Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Covered Executive was employed by the Company. The Company shall reimburse the Covered Executive for any reasonable out-of-pocket expenses incurred in connection with the Covered Executive's performance of obligations pursuant to this Section 5(e).

(f) Non-Disparagement. During the employment of the Covered Executive and after the termination of employment of the Covered Executive, the Covered Executive agrees not to make or cause to be made, directly or indirectly, any statement to any person criticizing or disparaging the Company or any of its stockholders, directors, officers or employees or commenting unfavorably or falsely on the character, business judgment, services, products, business practices or business reputation of the Company or any of its stockholders, directors, officers or employees.

(g) Injunction. The Covered Executive agrees that it would be difficult to measure any damages caused to the Company which might result from any breach by the Covered Executive of the promises set forth in this Section 5, and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, subject to Section 6 of this Plan, the Covered Executive agrees that if the Covered Executive breaches, or proposes to breach, any portion of this Plan, the Company shall be entitled, in addition to all other remedies that it may have, to an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to the Company.

6. Arbitration of Disputes. Any controversy or claim arising out of or relating to this Plan or the breach thereof or otherwise arising out of the Covered Executive's employment or the termination of that employment (including, without limitation, any claims of unlawful employment discrimination whether based on age or otherwise) shall, to the fullest extent permitted by law, be settled by arbitration in any forum and form agreed upon by the parties or, in the absence of such an agreement, under the auspices of the American Arbitration Association ("AAA") in Boston, Massachusetts in accordance with the Employment Dispute Resolution Rules of the AAA, including, but not limited to, the rules and procedures applicable to the selection of arbitrators. In the event that any person or entity other than the Covered Executive or the Company may be a party with regard to any such controversy or claim, such controversy or claim shall be submitted to arbitration subject to such other person or entity's agreement. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This Section 6 shall be specifically enforceable. Notwithstanding the foregoing, this Section 6 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or a preliminary injunction in circumstances in which such relief is appropriate; provided that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 6.

7. Consent to Jurisdiction. To the extent that any court action is permitted consistent with or to enforce Section 6 of this Plan, the parties hereby consent to the jurisdiction of the Superior Court of The Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts. Accordingly, with respect to any such court action, the Covered Executive (a) submits to the personal jurisdiction of such courts; (b) consents to service of process; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

8. Withholding. All payments made by the Company under this Plan shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

9. Section 409A.

(a) Anything in this Plan to the contrary notwithstanding, if at the time of the Covered Executive's "separation from service" within the meaning of Section 409A of the Code, the Company determines that the Covered Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Covered Executive becomes entitled to under this Plan would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)

(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Covered Executive's separation from service, or (B) the Covered Executive's death.

(b) The parties intend that this Plan will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Plan is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code.

(c) The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(d) The Company makes no representation or warranty and shall have no liability to the Covered Executive or any other person if any provisions of this Plan are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

10. Notice and Date of Termination.

(a) Notice of Termination. After the occurrence of a Termination Event, such event shall be communicated by written Notice of Termination from the Company to the Covered Executive or vice versa in accordance with this Section 10. For purposes of this Plan, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Plan relied upon and the Date of Termination.

(b) Date of Termination. "Date of Termination," with respect to any purported termination of a Covered Executive's employment, shall mean the date specified in the Notice of Termination.

(c) Notice to the Company. Covered Executive will send all communications to the Company relating to this Plan, in writing, addressed as follows, subject to change when notified by the Company:

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

(d) Notice to the Executive. Company will send all communications to the Covered Executive, relating to this Plan, in writing, addressed to the Covered Executive at the last address the Covered Executive has filed in writing with the Company.

11. No Mitigation. The Covered Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Covered Executive by the Company under this Plan. Further, the amount of any payment provided for in this Plan shall not be reduced by any compensation earned by the Covered Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Covered Executive to the Company, or otherwise.

12. Benefits and Burdens. This Plan shall inure to the benefit of and be binding upon the Company and the Covered Executives, their respective successors, executors, administrators, heirs and permitted assigns. In the event of a Covered Executive's death after a Terminating Event but prior to the completion by the Company of all payments due him under this Plan, the Company shall continue such payments to the Covered Executive's beneficiary designated in writing to the Company prior to his death (or to his estate, if the Covered Executive fails to make such designation).

13. Enforceability. If any portion or provision of this Plan shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Plan, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Plan shall be valid and enforceable to the fullest extent permitted by law.

14. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Plan, or the waiver by any party of any breach of this Plan, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

15. Notices. Any notices, requests, demands, and other communications provided for by this Plan shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid, to a Covered Executive at the last address the Covered Executive has filed in writing with the Company, or to the Company at their main office, attention of the Board of Directors.

16. Effect on Other Plans. Nothing in this Plan shall be construed to limit the rights of the Covered Executives under the Company benefit plans, programs or policies.

17. Amendment or Termination of Plan. The Company may amend or terminate this Plan at any time or from time to time.

18. Governing Law. This Plan shall be construed under and be governed in all respects by the laws of The Commonwealth of Massachusetts.

19. Obligations of Successors. In addition to any obligations imposed by law upon any successor to the Company, the Company will use its reasonable efforts to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

ADOPTED: May 8, 2008
AMENDED: November 14, 2008
AMENDED: December 16, 2010
AMENDED: February 1, 2015
AMENDED: March 25, 2016

EXHIBIT 10.4

INSULET CORPORATION
THIRD AMENDED AND RESTATED
2007 EMPLOYEE STOCK PURCHASE PLAN

The purpose of the Insulet Corporation Third Amended and Restated 2007 Employee Stock Purchase Plan (“the Plan”) is to provide eligible employees of Insulet Corporation (the “Company”) and each Designated Subsidiary (as defined in Section 11) with opportunities to purchase shares of the Company’s common stock, par value $.001 per share (the “Common Stock”). 380,000 shares of Common Stock in the aggregate have been approved and reserved for this purpose. The Plan is intended to constitute an “employee stock purchase plan” within the meaning of Section 423(b) of the Internal Revenue Code of 1986, as amended (the “Code”), and shall be interpreted in accordance with that intent.

1. Administration . The Plan will be administered by the person or persons (the “Administrator”) appointed by the Company’s Board of Directors (the “Board”) for such purpose. The Administrator has authority at any time to: (i) adopt, alter and repeal such rules, guidelines and practices for the administration of the Plan and for its own acts and proceedings as it shall deem advisable; (ii) interpret the terms and provisions of the Plan; (iii) make all determinations it deems advisable for the administration of the Plan; (iv) decide all disputes arising in connection with the Plan; and (v) otherwise supervise the administration of the Plan. All interpretations and decisions of the Administrator shall be binding on all persons, including the Company and the Participants. No member of the Board or individual exercising administrative authority with respect to the Plan shall be liable for any action or determination made in good faith with respect to the Plan or any option granted hereunder.

2. Offerings . The Company will make one or more offerings to eligible employees to purchase Common Stock under the Plan (“Offerings”). Unless otherwise determined by the Administrator, the initial Offering will begin on the date of the Company’s Initial Public Offering and will end on the following December 31, 2007 (the “Initial Offering”). Thereafter, unless otherwise determined

by the Administrator, an Offering will begin on the first business day occurring on or after each January 1 and July 1 and will end on the last business day occurring on or before the following June 30 and December 31, respectively. The Administrator may, in its discretion, designate a different period for any Offering, provided that no Offering shall exceed six months in duration or overlap any other Offering.

3. Eligibility. All individuals classified as employees on the payroll records of the Company and each Designated Subsidiary are eligible to participate in any one or more of the Offerings under the Plan, provided that they are employed by the Company on the date that is 20 business days before the first day of the applicable Offering (the "Offering Date") and, as of the Offering Date, they are customarily employed by the Company or a Designated Subsidiary for at least 20 hours a week. Notwithstanding any other provision herein, individuals who are not contemporaneously classified as employees of the Company or a Designated Subsidiary for purposes of the Company's or applicable Designated Subsidiary's payroll system are not considered to be eligible employees of the Company or any Designated Subsidiary and shall not be eligible to participate in the Plan. In the event any such individuals are reclassified as employees of the Company or a Designated Subsidiary for any purpose, including, without limitation, common law or statutory employees, by any action of any third party, including, without limitation, any government agency, or as a result of any private lawsuit, action or administrative proceeding, such individuals shall, notwithstanding such reclassification, remain ineligible for participation. Notwithstanding the foregoing, the exclusive means for individuals who are not contemporaneously classified as employees of the Company or a Designated Subsidiary on the Company's or Designated Subsidiary's payroll system to become eligible to participate in this Plan is through an amendment to this Plan, duly executed by the Company, which specifically renders such individuals eligible to participate herein.

4. Participation.

(a) Participants on Effective Date. Each eligible employee at the time of the Initial Public Offering shall be deemed to be a Participant at such time. If an eligible employee is deemed to be a Participant pursuant to this Section 4(a), such individual shall be deemed not to have authorized payroll deductions and shall not purchase any Common Stock hereunder unless he or she thereafter authorizes payroll deductions by submitting an enrollment form (in the manner described in Section 4(c)) by the end of the Initial Offering. If such a Participant does not authorize payroll deductions by submitting an enrollment form by the end of the Initial Offering, that Participant will be deemed to have withdrawn from the Plan.

(b) Participants in Subsequent Offerings . An eligible employee who is not a Participant on any Offering Date may participate in such Offering by submitting an enrollment form to his or her appropriate payroll location at least 15 business days before the Offering Date (or by such other deadline as shall be established by the Administrator for the Offering).

(c) Enrollment . The enrollment form will (a) state the amount to be deducted from an eligible employee's Compensation (as defined in Section 11) per pay period, (b) authorize the purchase of Common Stock in each Offering in accordance with the terms of the Plan and (c) specify the exact name or names in which shares of Common Stock purchased for such individual are to be issued pursuant to Section 10. An employee who does not enroll in accordance with these procedures will be deemed to have waived the right to participate. Unless a Participant files a new enrollment form or withdraws from the Plan, such Participant's deductions and purchases will continue at the same amount of Compensation for future Offerings, provided he or she remains eligible.

(d) Notwithstanding the foregoing, participation in the Plan will neither be permitted nor be denied contrary to the requirements of the Code.

5. Employee Contributions . Each eligible employee may authorize payroll deductions at a minimum of 10 dollars ($10) per pay period up to a maximum of 10% of such employee's Compensation for each pay period. The Company will maintain book accounts showing the amount of payroll deductions made by each Participant for each Offering. No interest will accrue or be paid on payroll deductions.

6. Deduction Changes. Except in the event of a Participant increasing his or her payroll deduction from 0 percent during the first Offering as specified in Section 4(a) or as may be determined by the Administrator in advance of an Offering, a Participant may not increase or decrease his or her payroll deduction during any Offering, but may increase or decrease his or her payroll deduction with respect to the next Offering (subject to the limitations of Section 5) by filing a new enrollment form at least 15 business days before the next Offering Date (or by such other deadline as shall be established by the Administrator for the Offering). The Administrator may, in advance of any Offering, establish rules permitting a Participant to increase, decrease or terminate his or her payroll deduction during an Offering.

7. Withdrawal. A Participant may withdraw from participation in the Plan by delivering a written notice of withdrawal to his or her appropriate payroll location. The Participant's withdrawal will be effective as of the next business day. Following a Participant's withdrawal, the Company will promptly refund such individual's entire account balance under the Plan to him or her (after payment for any Common Stock purchased before the effective date of withdrawal). Partial withdrawals are not permitted. Such an employee may not begin participation again during the remainder of the Offering, but may enroll in a subsequent Offering in accordance with Section 4.

8. Grant of Options. On each Offering Date, the Company will grant to each eligible employee who is then a Participant in the Plan an option ("Option") to purchase on the last day of such Offering (the "Exercise Date"), at the Option Price hereinafter provided for, the lowest of (a) a number of shares of Common Stock determined by dividing such Participant's accumulated payroll deductions on such Exercise Date by the Option Price (as defined herein), (b) 800 shares of Common Stock, or (c) such other lesser maximum number of shares as shall have been established by the Administrator in advance of the Offering; provided, however, that such Option shall be subject to the limitations set forth below. Each Participant's Option shall be exercisable only to the extent of such Participant's accumulated payroll deductions on the Exercise Date. The purchase price for each share purchased under each Option (the "Option Price") will be 85 percent of the Fair Market Value of the Common Stock on the Exercise Date.

Notwithstanding the foregoing, no Participant may be granted an option hereunder if such Participant, immediately after the option was granted, would be treated as owning stock possessing 5 percent or more of the total combined voting power or value of all classes of stock of the Company or any Parent or Subsidiary (as defined in Section 11). For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of a Participant, and all stock which the Participant has a contractual right to purchase shall be treated as stock owned by the Participant. In addition, no Participant may be granted an Option which permits his or her rights to purchase stock under the Plan, and any other employee stock purchase plan of the Company and its Parents and Subsidiaries, to accrue at a rate which exceeds $25,000 of the fair market value of such stock (determined on the option grant date or dates) for each calendar year in which the Option is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Code and shall be applied taking Options into account in the order in which they were granted.

9. Exercise of Option and Purchase of Shares . Each employee who continues to be a Participant in the Plan on the Exercise Date shall be deemed to have exercised his or her Option on such date and shall acquire from the Company such number of whole shares of Common Stock reserved for the purpose of the Plan as his or her accumulated payroll deductions on such date will purchase at the Option Price, subject to any other limitations contained in the Plan; provided that, with respect to the Initial Offering, the exercise of each Option shall be conditioned on the closing of the Company's Initial Public Offering on or before the Exercise Date. Any amount remaining in a Participant's account at the end of an Offering solely by reason of the inability to purchase a fractional share will be carried forward to the next Offering; any other balance remaining in a Participant's account at the end of an Offering will be refunded to the Participant promptly.

10. Issuance of Certificates . Certificates representing shares of Common Stock purchased under the Plan may be issued only in the name of the employee, in the name of the employee and another

person of legal age as joint tenants with rights of survivorship, or in the name of a broker authorized by the employee to be his, her or their, nominee for such purpose.

11. Definitions .

The term “Compensation” means the amount of base pay, prior to salary reduction pursuant to Sections 125, 132(f) or 401(k) of the Code, but excluding overtime, commissions, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances or travel expenses, income or gains on the exercise of Company stock options, and similar items.

The term “Designated Subsidiary” means any present or future Subsidiary (as defined below) that has been designated by the Board to participate in the Plan. The Board may so designate any Subsidiary, or revoke any such designation, at any time and from time to time, either before or after the Plan is approved by the stockholders. The current list of Designated Subsidiaries is attached hereto as Appendix A.

The term “Fair Market Value of the Common Stock” on any given date means the fair market value of the Common Stock determined in good faith by the Administrator; provided , however , that if the Common Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), NASDAQ Global Market or another national securities exchange, the determination shall be made by reference to the closing price on such securities exchange. If there is no closing price for such date, the determination shall be made by reference to the last date preceding such date for which there is a closing price. Notwithstanding the foregoing, if the date for which Fair Market Value of the Common Stock is determined is the first day when trading prices for the Common Stock are reported on NASDAQ or another national securities exchange, the Fair Market Value of the Common Stock shall be the “Price to the Public” (or equivalent) set forth on the cover page for the final prospectus relating to the Company’s Initial Public Offering.

The term “Initial Public Offering” means the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale by the Company of its Common Stock.

The term “Parent” means a “parent corporation” with respect to the Company, as defined in Section 424(e) of the Code.

The term “Participant” means an individual who is eligible as determined in Section 3 and who has complied with the provisions of Section 4.

The term “Subsidiary” means a “subsidiary corporation” with respect to the Company, as defined in Section 424(f) of the Code.

12. Rights on Termination of Employment. If a Participant’s employment terminates for any reason before the Exercise Date for any Offering, no payroll deduction will be taken from any pay due and owing to the Participant and the balance in the Participant’s account will be paid to such Participant or, in the case of such Participant’s death, to his or her designated beneficiary as if such Participant had withdrawn from the Plan under Section 7. An employee will be deemed to have terminated employment, for this purpose, if the corporation that employs him or her, having been a Designated Subsidiary, ceases to be a Subsidiary, or if the employee is transferred to any corporation other than the Company or a Designated Subsidiary. An employee will not be deemed to have terminated employment for this purpose, if the employee is on an approved leave of absence for military service or sickness or for any other purpose approved by the Company, if the employee’s right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise provides in writing.

13. Special Rules. Notwithstanding anything herein to the contrary, the Administrator may adopt special rules applicable to the employees of a particular Designated Subsidiary, whenever the Administrator determines that such rules are necessary or appropriate for the implementation of the Plan in a jurisdiction where such Designated Subsidiary has employees; provided that such rules are consistent

with the requirements of Section 423(b) of the Code. Such special rules may include (by way of example, but not by way of limitation) the establishment of a method for employees of a given Designated Subsidiary to fund the purchase of shares other than by payroll deduction, if the payroll deduction method is prohibited by local law or is otherwise impracticable. Any special rules established pursuant to this Section 13 shall, to the extent possible, result in the employees subject to such rules having substantially the same rights as other Participants in the Plan.

Participants that are employed by a Designated Subsidiary or which are otherwise resident in the Designated Subsidiary's jurisdiction of incorporation are subject to the terms set out in that Designated Subsidiary's Appendix hereto. The terms in such Appendix hereto and those otherwise set out in the Plan shall be read together and construed, to the fullest extent possible, to be in concert with each other. To the extent that they cannot be so construed, then in the event of any direct conflict between the terms in such Appendix and those otherwise set out in the Plan, the terms in such Appendix will prevail.

14. Optionees Not Stockholders. Neither the granting of an Option to a Participant nor the deductions from his or her pay shall constitute such Participant a holder of the shares of Common Stock covered by an Option under the Plan until such shares have been purchased by and issued to him or her.

15. Rights Not Transferable. Rights under the Plan are not transferable by a Participant other than by will or the laws of descent and distribution, and are exercisable during the Participant's lifetime only by the Participant.

16. Application of Funds. All funds received or held by the Company under the Plan may be combined with other corporate funds and may be used for any corporate purpose.

17. Adjustment in Case of Changes Affecting Common Stock. In the event of a subdivision of outstanding shares of Common Stock, the payment of a dividend in Common Stock or any other change affecting the Common Stock, the number of shares approved for the Plan and the share limitation set forth in Section 8 shall be equitably or proportionately adjusted to give proper effect to such event.

18. Amendment of the Plan. The Board may at any time and from time to time amend the Plan in any respect, except that without the approval within 12 months of such Board action by the stockholders, no amendment shall be made increasing the number of shares approved for the Plan or making any other change that would require stockholder approval in order for the Plan, as amended, to qualify as an "employee stock purchase plan" under Section 423(b) of the Code.

19. Insufficient Shares. If the total number of shares of Common Stock that would otherwise be purchased on any Exercise Date plus the number of shares purchased under previous Offerings under the Plan exceeds the maximum number of shares issuable under the Plan, the shares then available shall be apportioned among Participants in proportion to the amount of payroll deductions accumulated on behalf of each Participant that would otherwise be used to purchase Common Stock on such Exercise Date.

20. Termination of the Plan. The Plan may be terminated at any time by the Board. Upon termination of the Plan, all amounts in the accounts of Participants shall be promptly refunded.

21. Governmental Regulations. The Company's obligation to sell and deliver Common Stock under the Plan is subject to obtaining all governmental approvals required in connection with the authorization, issuance, or sale of such stock.

22. Governing Law. This Plan and all Options and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

23. Issuance of Shares. Shares may be issued upon exercise of an Option from authorized but unissued Common Stock, from shares held in the treasury of the Company, or from any other proper source.

24. Tax Withholding. Participation in the Plan is subject to any minimum required tax withholding on income of the Participant in connection with the Plan. Each Participant agrees, by

entering the Plan, that the Company and its Subsidiaries shall have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant, including shares issuable under the Plan.

25. Notification Upon Sale of Shares . Each Participant agrees, by entering the Plan, to give the Company prompt notice of any disposition of shares purchased under the Plan where such disposition occurs within two years after the date of grant of the Option pursuant to which such shares were purchased.

26. Effective Date and Approval of Shareholders . The Plan shall take effect on the date of the Company's Initial Public Offering, subject to approval by the holders of a majority of the votes cast at a meeting of stockholders at which a quorum is present or by written consent of the stockholders.

DATE PLAN APPROVED BY BOARD OF DIRECTORS: April 27, 2007

DATE PLAN APPROVED BY STOCKHOLDERS: April 27, 2007

EFFECTIVE DATE OF PLAN: May 14, 2007

DATE FIRST AMENDMENT TO PLAN APPROVED BY BOARD OF DIRECTORS: May 5, 2010

DATE ADDITIONAL DESIGNATED SUBSIDIARIES APPROVED BY BOARD OF DIRECTORS: November 21, 2011

DATE SECOND AMENDMENT TO PLAN APPROVED BY BOARD OF DIRECTORS: February 12, 2014

DATE THIRD AMENDMENT TO PLAN APPROVED BY BOARD OF DIRECTORS: November 19, 2015

APPENDIX A

Designated Subsidiaries

Sub-Q Solutions, Inc.

Insulet Singapore PTE LTD

Neighborhood Diabetes, Inc.

Shelbourn Chemists, Inc.

New York Diabetic Supply Corporation

Insulet Canada Corporation

APPENDIX B

Additional Terms Applicable to Participants Employed by Insulet Canada Corporation or otherwise resident in Canada

1. Voluntary Acceptance . By accepting this grant of securities, you represent and warrant to the Company that your participation in the trade and acceptance of such securities is voluntary and that you have not been induced to participate by expectation of engagement, appointment, employment or continued engagement, appointment or employment, as applicable.

2. Termination of Employment . Notwithstanding Section 12 of the Plan, a Participant's employment is deemed to have terminated on the Participant's last day of actual and active employment and that no period of notice or payment in lieu of notice that is given or ought to have been given which follows or is in respect of a period which follows a Participant's last day of actual and active employment will be deemed to extend the Participant's period of employment for the purposes of determining his or her entitlements under the Plan.

3. Personal Information. The Company will collect, use and disclose Participants' personal information in accordance with applicable privacy legislation and the Company and Insulet Canada Corporation's privacy policies. The Participant consents to collection, use and disclosure of personal information for all purposes relating to the administration of the ESPP, including without limitation, relating to, (i) administering and maintaining Participant records; (ii) providing information to the Administrator, including to third party administrators of the Plan; (iii) providing information to future purchasers or merger partners of the Company; and transferring information about the Participant to a country or territory that may not provide the same statutory protection for the information as the Participant's home country.

4. Foreign Exchange Issues . On each Exercise Date, the Company will convert the contributions made by each Participant during the Offering from Canadian Dollars to U.S. Dollars on the

Exercise Date based on the Exercise Date exchange rates provided by the Company's Accounting Department (the "Exchange Rate"). Options shall be purchased in U.S. Dollars. Any amount remaining in a Participant's account at the end of an Offering shall be converted back to Canadian Dollars using the Exchange Rate and either carried forward to the next Offering or refunded to Participant as provided in Section 9. The $25,000 limit contained in Section 8 of the Plan shall be measured in U.S. Dollars.

5. French Language. It is the express wish of the parties to this document, and all related documents be drafted in English. Les parties aux présentes conviennent et exigent que cet document, ainsi que tous les documents qui s'y rattachent soient rédigés en langue anglaise.

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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
President and Chief Executive Officer

Date: April 29, 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: April 29, 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 March 31, 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
President and Chief Executive Officer

Date: April 29, 2016

/s/ Michael L. Levitz

Michael L. Levitz
Chief Financial Officer

Date: April 29, 2016