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, 2010

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.)
9 Oak Park Drive **Bedford, Massachusetts**	**01730**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(781) 457-5000**

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. (Check one):

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 May 5, 2010, the registrant had 37,944,711 shares of common stock outstanding.

INSULET CORPORATION
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PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

INSULET CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of March 31, 2010	As of December 31, 2009
	(In thousands, except share and per share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 118,338	$ 127,996
Accounts receivable, net	15,206	14,962
Inventories	6,600	10,086
Prepaid expenses and other current assets	2,029	1,260
Total current assets	142,173	154,304
Property and equipment, net	15,134	15,482
Other assets	1,730	1,862
Total assets	$ 159,037	$ 171,648
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 3,277	$ 5,870
Accrued expenses	10,128	9,973
Deferred revenue	4,527	3,970
Total current liabilities	17,932	19,813
Long-term debt, net of current portion	98,217	96,979
Other long-term liabilities	1,964	1,999
Total liabilities	118,113	118,791
Stockholders' Equity		
Preferred stock, $.001 par value:		
Authorized: 5,000,000 shares at March 31, 2010 and December 31, 2009. Issued and outstanding: zero shares at March 31, 2010 and December 31, 2009	-	-
Common stock, $.001 par value:		
Authorized: 100,000,000 shares at March 31, 2010 and December 31, 2009. Issued and outstanding: 37,939,752 and 37,755,254 shares at March 31, 2010 and December 31, 2009, respectively	39	39
Additional paid-in capital	384,631	382,709
Accumulated deficit	(343,746)	(329,891)
Total stockholders' equity	40,924	52,857
Total liabilities and stockholders' equity	$ 159,037	$ 171,648

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except share and per share data)	
Revenue	$ 20,807	$ 12,469
Cost of revenue	12,422	10,474
Gross profit	8,385	1,995
Operating expenses:		
Research and development	3,847	3,204
General and administrative	6,959	7,491
Sales and marketing	8,309	8,772
Total operating expenses	19,115	19,467
Operating loss	(10,730)	(17,472)
Interest income	24	101
Interest expense	(3,149)	(2,274)
Net interest expense	(3,125)	(2,173)
Net loss	$ (13,855)	$ (19,645)

Net loss per share basic and diluted	$ (0.37)	$ (0.71)
Weighted average number of shares used in calculating basic and diluted net loss per share	37,888,258	27,804,603

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Cash flows from operating activities		
Net loss	$ (13,855)	$ (19,645)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,438	1,306
Amortization of debt discount	1,238	1,039
Stock compensation expense	1,311	1,201
Provision for bad debts	1,083	1,238
Non cash interest expense	132	121
Changes in operating assets and liabilities:		
Accounts receivable	(1,327)	(2,591)
Inventory	3,486	1,723
Prepaids and other current assets	(769)	(357)
Accounts payable and accrued expenses	(2,437)	2,715
Other long term liabilities	(35)	172
Deferred revenue, short-term	557	107
Net cash used in operating activities	(9,178)	(12,971)
Cash flows from investing activities		
Purchases of property and equipment	(1,090)	(165)
Net cash used in investing activities	(1,090)	(165)
Cash flows from financing activities		
Proceeds from issuance of facility agreement, net of financing expenses	-	24,513
Proceeds from issuance of common stock, net of offering expenses	610	124
Net cash provided by financing activities	610	24,637
Net increase (decrease) in cash and cash equivalents	(9,658)	11,501
Cash and cash equivalents, beginning of period	127,996	56,663
Cash and cash equivalents, end of period	$ 118,338	$ 68,164
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 681	$ -
Non-cash financing activities		
Allocation of fair value of warrants from net proceeds from issuance of facility agreement	$ -	$ 6,065

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

INSULET CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of the Business

Insulet Corporation (the "Company") is principally engaged in the development, manufacture and marketing of an insulin infusion system for people with insulin-dependent diabetes. The Company was incorporated in Delaware in 2000 and has its corporate headquarters in Bedford, Massachusetts. Since inception, the Company has devoted substantially all of its efforts to designing, developing, manufacturing and marketing the OmniPod Insulin Management System ("OmniPod"), which consists of the OmniPod disposable insulin infusion device and the handheld, wireless Personal Diabetes Manager ("PDM"). The Company commercially launched the OmniPod Insulin Management System in August 2005 after receiving FDA 510(k) approval in January 2005. The first commercial product was shipped in October 2005.

In January 2010, the Company entered into a 5 year distribution agreement with Ypsomed Distribution AG, or Ypsomed, to become the exclusive distributor of the OmniPod System in eleven countries. The Company expects that Ypsomed will begin distributing the OmniPod System, subject to approved reimbursement, in Germany and the United Kingdom in the second quarter of 2010, and in several other markets in the second half of 2010 and in the first half of 2011. To date, no significant revenue has been recognized from the agreement.

The Company has fully adopted the Financial Accounting Standard Board Accounting Standards Codification. The FASB Accounting Standards Codification ("Codification") has become the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. However, rules and interpretive releases of the Securities and Exchange Commission ("SEC") issued under the authority of federal securities laws will continue to be sources of authoritative GAAP for SEC registrants. All references made to GAAP in the Company's consolidated financial

statements now use the new Codification numbering system. The Codification does not change or alter existing GAAP and, therefore, did not have a material impact on its consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2010, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010, or for any other subsequent interim period.

The unaudited consolidated financial statements in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting periods. The most significant estimates used in these financial statements include the valuation of inventories, accounts receivable, equity instruments, the lives of property and equipment, as well as warranty reserves, and allowance for doubtful accounts calculations. Actual results may differ from those estimates.

Principles of Consolidation

The unaudited consolidated financial statements in this Quarterly Report on Form 10-Q include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due from third-party payors, patients and third-party distributors. The allowance for doubtful accounts is recorded in the period in which the revenue is recorded or 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.

Inventories

Inventories are stated at the lower of cost or market, determined under the first-in, first-out ("FIFO") method. Inventory has been recorded at cost as of March 31, 2010 and December 31, 2009. Work in process is calculated based upon a build up in the stage of completion using estimated labor inputs for each stage in production. Costs for PDMs and OmniPods include raw material, labor and manufacturing overhead. The Company periodically reviews inventories for potential impairment based on quantities on hand and expectations of future use.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over their useful life or the life of the lease, whichever is shorter. Assets capitalized 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.

Warranty

The Company provides a four-year warranty on its PDMs and may replace any OmniPods that do not function in accordance with product specifications. The Company estimates its warranty reserves at the time the product is shipped based on historical experience and the estimated cost to service the claims. Cost to service the claims reflects the current product cost which has been decreasing over time. Because the Company continues to introduce new products and new versions of existing products, the Company also considers the anticipated performance of the product over its warranty period in estimating warranty reserves.

Restructuring Expenses and Impairment of Assets

In connection with its efforts to pursue improved gross margins, leverage operational efficiencies and better pursue opportunities for low-cost supplier sourcing of asset costs, the Company periodically performs an evaluation of its manufacturing processes and reviews the carrying value of its property and equipment to assess the recoverability of these assets whenever events indicate that impairment may have occurred. As part of this assessment, the Company reviews the future undiscounted operating cash flows expected to be generated by those assets. If impairment is indicated through this review, the carrying amount of the asset would be reduced to its estimated fair value. This review of manufacturing processes and equipment can result in restructuring activity or an impairment of assets based on current net book value and potential future use of the assets.

The Company's restructuring expenses may also include workforce reduction and related costs for one-time termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement. The Company records these one-time termination benefits upon incurring the liability provided that the employees are notified, the plan is approved by the appropriate level of management, the employees to be terminated and the expected completion date are identified, and the benefits the identified employees will be paid are established. Significant changes to the plan are not expected when the Company records the costs. In recording the workforce reduction and related costs, the Company estimates related costs such as taxes

not expected when the Company records the costs. In recording the workforce reduction and related costs, the Company estimates related costs such as taxes and outplacement services which may be provided under the plan. If changes in these estimated services occur, the Company may be required to record or reverse restructuring expenses associated with these workforce reduction and related costs.

Revenue Recognition

The Company generates nearly all of its revenue from sales of its OmniPod Insulin Management System to diabetes patients and third-party distributors who resell the product to diabetes patients. The initial sale to a new customer or third party distributor typically includes OmniPods and a Starter Kit, which includes the PDM, the OmniPod System User Guide and the OmniPod System Interactive Training CD. Subsequent sales to existing customers typically consist of additional OmniPods.

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 collectibility 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 upon transfer to the third party carrier; transfer of title and risk and rewards of ownership are passed to the distributor typically upon their receipt 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 and rebates to customers are established as a reduction to revenue in the same period the related sales are recorded.

The Company assesses whether different elements qualify for separate accounting. The Company recognizes revenue for the initial shipment to a patient or other third party once all elements have been delivered.

The Company offers a 45-day right of return for its Starter Kits sales, 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 their 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 collectibility from specific customers, the Company defers revenue from sales of products to those customers until payment is received.

In March 2008, the Company received a cash payment from Abbott Diabetes Care, Inc. ("Abbott") for an agreement fee in connection with execution of the first amendment to the development and license agreement between the Company and Abbott. The Company recognizes revenue on the agreement fee from Abbott over the initial 5-year term of the agreement, and the non-current portion of the agreement fee is included in other long-term liabilities. Under the amended Abbott agreement, beginning July 1, 2008, Abbott agreed to pay an amount to the Company for services performed by Insulet in connection with each sale of a PDM that includes an Abbott Discrete Blood Glucose Monitor to certain customers. The Company recognizes the revenue related to this portion of the Abbott agreement at the time it meets the criteria for revenue recognition, typically at the time the revenue is recognized on the sale of the PDM to the patient. In both of the three month periods ended March 31, 2010 and 2009, the Company recognized $1.1 million for revenue related to the Abbott agreement. There was no impact to cost of revenue related to this agreement.

The Company had deferred revenue of $5.5 million and $5.1 million as of March 31, 2010 and December 31, 2009, respectively. The deferred revenue recorded as of March 31, 2010 was comprised of product-related revenue as well as the non-amortized agreement fee related to the Abbott agreement.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash, cash equivalents and accounts receivable. The Company maintains the majority of its cash with two accredited financial institutions. Although revenue is recognized from shipments directly to patients or third-party distributors, the majority of shipments are billed to third-party insurance payors. There were no third-party payors that accounted for more than 10% of gross accounts receivable as of March 31, 2010 or December 31, 2009.

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, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. In light of the Company's current product offering, and other considerations, management has determined that the primary form of internal reporting is aligned with the offering of the OmniPod System. Therefore, the Company believes that it operates in one segment.

Income Taxes

The Company has accumulated significant losses since its inception in 2000. Since the net operating losses may potentially be utilized in future years to reduce taxable income (subject to any applicable limitations), all of the Company's tax years remain open to examination by the major taxing jurisdictions to which the Company is subject.

The Company recognizes estimated interest and penalties for uncertain tax positions in income tax expense. As of March 31, 2010, the Company had no interest and penalty accrual or expense.

3. Facility Agreement and Common Stock Warrants

In March 2009, the Company entered into a Facility Agreement with certain institutional accredited investors, pursuant to which the investors agreed to loan the Company up to $60 million, subject to the terms and conditions set forth in the Facility Agreement. Following the initial disbursement of $27.5 million on March 31, 2009, the Company could, but was not required to, draw down on the facility in $6.5 million increments at any time until November 2010 provided that the Company met certain financial performance milestones. In connection with this financing, the Company paid Deerfield Management Company, L.P., an affiliate of the lead lender, a one-time transaction fee of $1.2 million. Total financing costs, including the transaction fee

Management Company, L.P., an affiliate of the lead lender, a one-time transaction fee of $1.2 million. Total financing costs, including the transaction fee, were $3.0 million and were being amortized as interest expense over the 42 months of the Facility Agreement.

The amounts initially drawn under the Facility Agreement accrued interest at a rate of 9.75% per annum, and the undrawn amounts under the Facility Agreement accrued interest at a rate of 2.75% per annum. Accrued interest is payable quarterly in cash in arrears. The Company had the right to prepay any amounts owed without penalty unless the prepayment was in connection with a major transaction.

In September 2009, the Company entered into an Amendment to the Facility Agreement whereby the Company repaid the $27.5 million of outstanding debt and promptly drew down the remaining $32.5 million available under the Facility Agreement. The lender eliminated all future performance milestones associated with the remaining $32.5 million available on the credit facility and reduced the annual interest rate to 8.5%. In connection with the Amendment to the Facility Agreement, the Company entered into a Securities Purchase Agreement with the lenders whereby the Company sold 2,855,659 shares of its common stock to the lenders at $9.63 per share. The Company received aggregate proceeds of $27.5 million in connection with the sale of its shares. All references herein to the "Facility Agreement" refer to the Facility Agreement entered into in March 2009 and amended in September 2009.

All principal amounts outstanding under the Facility Agreement are payable in September 2012. Any amounts drawn under the Facility Agreement may become immediately due and payable upon (i) an "event of default," as defined in the Facility Agreement, in which case the lenders would have the right to require the Company to re-pay 100% of the principal amount of the loan, plus any accrued and unpaid interest thereon, or (ii) the consummation of certain change of control transactions, in which case the lenders would have the right to require the Company to re-pay 106% of the outstanding principal amount of the loan, plus any accrued and unpaid interest thereon. The Facility Agreement also provides for higher interest rates to be paid by the Company in certain events.

Because the consummation of certain change in control transactions would result in the payment of a premium of the outstanding principal, the premium feature is a derivative that is required to be bifurcated from the host debt instrument and recorded at fair value at each quarter end. As a higher interest rate could be paid by the Company upon the occurrence of certain events, the higher interest feature is also considered a derivative. The higher interest payment does not meet the criteria to be accounted for separately. Any changes in fair value of the premium feature will be recorded as interest expense. The difference between the face value of the outstanding principal on the Facility Agreement and the amount remaining after the bifurcation will be recorded as a discount to be amortized over the term of the Facility Agreement. As of March 31, 2010, the premium feature associated with the Facility Agreement had no value as the Company does not currently expect a change in control transaction to occur. The embedded derivatives related to the Facility Agreement will be reassessed and marked-to-market through earnings on a quarterly basis.

As of March 31, 2010 and December 31, 2009, $32.5 million of outstanding debt related to the Facility Agreement is included in long-term debt in the consolidated balance sheet. In the three months ended March 31, 2010, approximately $0.7 million of cash interest related to the Facility Agreement was recorded. In the three months ended March 31, 2009, no interest expense was recorded related to the Facility Agreement

In March 2009, in connection with the execution of the Facility Agreement, the Company issued to the lenders fully exercisable warrants to purchase an aggregate of 3.75 million shares of common stock of the Company at an exercise price of $3.13 per share. Pursuant to the original terms of the Facility Agreement, the Company would have been required to issue additional warrants to purchase 1.5 million shares upon drawing down the remaining $32.5 million under the facility. In connection with the Amendment to the Facility Agreement in September 2009, the lenders agreed to forego the remaining 1.5 million additional warrants that would have been issued upon these future draws.

If the Company issues or sells shares of its common stock (other than (i) pursuant to a registered public offering or shelf takedown, (ii) in a transaction that does not require shareholder approval, (iii) to partners in connection with a joint venture, distribution or other partnering arrangement in a transaction that does not require shareholder approval, (iv) upon the exercise of options granted to our employees, officers, directors and consultants, (v) of restricted stock to, or purchases of, our common stock under our employee stock purchase plan by employees, officers, directors or consultants or (vi) upon the exercise of the warrants) after March 13, 2009, the Company will issue concurrently therewith additional warrants to purchase such number of shares of common stock as will entitle the lenders to maintain the same beneficial ownership in the Company after the issuance as they had prior to such issuance, as adjusted on a pro rata basis for repayments of the outstanding principal amount under the loan, with such warrants being issued at an exercise price equal to the greater of $3.13 per share and the closing price of the common stock on the date immediately prior to the issuance.

All warrants issued under the Facility Agreement remain unexercised as of March 31, 2010, expire on March 13, 2015 and contain certain limitations that prevent the holder from acquiring shares upon exercise of a warrant that would result in the number of shares beneficially owned by it to exceed 9.98% of the total number of shares of the Company's common stock then issued and outstanding.

In addition, upon certain change of control transactions, or upon certain "events of default" (as defined in the warrant agreement), the holder has the right to net exercise the warrants for an amount of shares of the Company's common stock equal to the Black-Scholes value of the shares issuable under the warrants divided by 95% of the closing price of the common stock on the day immediately prior to the consummation of such change of control or event of default, as applicable. In certain circumstances where a warrant or portion of a warrant is not net exercised in connection with a change of control or event of default, the holder will be paid an amount in cash equal to the Black-Scholes value of such portion of the warrant not treated as a net exercise.

The warrants issued in connection with the Facility Agreement qualify for permanent classification as equity and their relative fair value of $6.1 million on the issuance date was recorded as additional paid in capital and debt discount. The remaining unamortized value of the warrants was recorded as interest expense in the year ended December 31, 2009, in connection with the repayment and termination of the initial disbursement.

4. Convertible Notes

In June 2008, the Company sold $85.0 million principal amount of 5.375% Convertible Senior Notes due June 15, 2013 (the "5.375% Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The interest rate on the notes is 5.375% per annum on the principal amount from June 16, 2008, payable semi-annually in arrears in cash on December 15 and June 15 of each year, beginning December 15, 2008. The 5.375% Notes are convertible into the Company's common stock at an initial conversion rate of 46.8467 shares of common stock per $1,000 principal amount of the 5.375% Notes, which is equivalent to a conversion price of approximately $21.35 per share, representing a conversion premium of 34% to the last reported sale price of the Company's common stock on the NASDAQ Global Market on June 10, 2008, subject to adjustment under certain circumstances, at any time beginning on March 15, 2013 or under certain other circumstances and prior to the close of business on the business day immediately preceding the final maturity date of the notes. The 5.375% Notes will be convertible for cash up to their principal amount and shares of the

Company's common stock for the remainder of the conversion value in excess of the principal amount. The Company does not have the right to redeem any of the 5.375% Notes prior to maturity. If a fundamental change, as defined in the Indenture for the 5.375% Notes, occurs at any time prior to maturity, holders of the 5.375% Notes may require the Company to repurchase their notes in whole or in part for cash equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, including any additional interest, to, but excluding, the date of repurchase.

If a holder elects to convert its 5.375% Notes upon the occurrence of a make-whole fundamental change, as defined in the Indenture for the 5.375% Notes, the holder may be entitled to receive an additional number of shares of common stock on the conversion date. These additional shares are intended to compensate the holders for the loss of the time value of the conversion option and are set forth in the Indenture to the 5.375% Notes. In no event will the number of shares issuable upon conversion of a note exceed 62.7746 per $1,000 principal amount (subject to adjustment as described in the Indenture for the 5.375% Notes).

The Company recorded a debt discount of $26.9 million to equity to reflect the value of its nonconvertible debt borrowing rate of 14.5% per annum. This debt discount is being amortized as interest expense over the 5 year term of the 5.375% Notes.

The Company incurred deferred financing costs related to this offering of approximately $3.5 million, of which $1.1 million has been reclassified as an offset to the value of the amount allocated to equity. The remainder is recorded as other assets in the consolidated balance sheet and is being amortized as a component of interest expense over the five year term of the 5.375% Notes. The Company incurred interest expense of approximately $2.5 million for the three months ended March 31, 2010, related to the 5.375% Notes. Of the $2.5 million, approximately $1.4 million relates to amortization of the debt discount and deferred financing costs and $1.1 million relates to cash interest. For the three months ended March 31, 2009, the Company incurred interest expense of approximately $2.2 million, related to the 5.375% Notes. Of the $2.2 million, approximately $1.1 million relates to amortization of the debt discount and deferred financing costs, and $1.1 million relates to cash interest.

As of March 31, 2010, the outstanding amounts related to the 5.375% Notes of $65.7 million are included in long-term debt in the consolidated balance sheet and reflect the debt discount of $19.3 million. As of December 31, 2009, the outstanding amounts related to the 5.375% Notes of $64.5 million are included in long-term debt and reflect the debt discount of $20.5 million. The debt discount includes the equity allocation of $25.8 million (which represents $26.9 million less the $1.1 million of allocated financing costs) offset by the accretion of the debt discount through interest expense from the issuance date over the 5 year term of the notes. The Company recorded $1.2 million of interest expense related to the debt discount in the three months ended March 31, 2010. As of March 31, 2010, the 5.375% Notes have a remaining term of 3.25 years. The Company recorded $1.1 million of interest expense related to the debt discount in the three months ended March 31, 2009.

The Company received net proceeds of approximately $81.5 million from this offering. Approximately $23.2 million of the proceeds from this offering was used to repay and terminate the Company's then-existing term loan, including outstanding principal and accrued and unpaid interest of $21.8 million, a prepayment fee related to the term loan of approximately $0.4 million and a termination fee of $0.9 million. The Company is using the remainder for general corporate purposes. In connection with this term loan, the Company issued warrants to the lenders to purchase up to 247,252 shares of Series E preferred stock at a purchase price of $3.64 per share. The warrants automatically converted into warrants to purchase common stock on a 1-for-2.6267 basis at a purchase price of $9.56 per share at the closing of the Company's initial public offering in May 2007. As of March 31, 2010, warrants to purchase 62,752 shares of common stock remain outstanding and exercisable at a price of $9.56 per share.

5. Restructuring Expenses and Impairments of Assets

As of March 31, 2009, the Company's accrued expenses for restructuring was $0.4 million for final payments of severance. These amounts were paid in full in 2009. During the three months ended, March 31, 2010, the Company had no restructuring or impairment activity.

The following is a summary of restructuring activity for the three months ended March 31, 2009.

	Three Months Ended March 31, 2009
Balance at the beginning of year	$ 612
Utilization	(211)
Balance at the end of the year	$ 401

6. 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 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, 2010 and 2009, all potential 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. Such potentially dilutive common share equivalents consist of the following:

	Three Months Ended March 31,	
	2010	2009
Convertible debt	3,981,969	3,981,969
Unvested restricted common shares	307,775	3,552
Outstanding options	3,505,216	3,448,215
Outstanding warrants	3,812,752	3,812,752
Total	11,607,712	11,246,488

7. Accounts Receivable

The components of accounts receivable are as follows:

	As of	
	March 31, 2010	December 31, 2009
	(In thousands)	
Trade receivables	$ 22,242	$ 22,152
Allowance for doubtful accounts	(7,036)	(7,190)
	$ 15,206	$ 14,962

8. Inventories

Inventories consist of the following:

	As of	
	March 31, 2010	December 31, 2009
	(In thousands)	
Raw materials	$ 1,945	$ 1,657
Work-in-process	474	496
Finished goods	4,181	7,933
	$ 6,600	$ 10,086

The Company is currently producing the OmniPod on a partially automated manufacturing line at a facility in China, operated by a subsidiary of Flextronics International Ltd. The Company also produces certain sub-assemblies for the OmniPod as well as maintains packaging operations in its facility in Bedford, Massachusetts. The Company purchases complete OmniPods from Flextronics.

9. Product Warranty Costs

The Company provides a four-year warranty on its PDMs and replaces any OmniPods that do not function in accordance with product specifications. Warranty expense is estimated and recorded in the period that shipment occurs. The expense is based on the Company's historical experience and the estimated cost to service the claims. A reconciliation of the changes in the Company's product warranty liability follows:

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Balance at the beginning of period	$ 1,820	$ 2,268
Warranty expense	320	1,139
Warranty claims settled	(392)	(735)
Balance at the end of the period	$ 1,748	$ 2,672
Composition of balance:		
Short-term	$ 770	$ 991
Long-term	978	1,681
Total warranty balance	$ 1,748	$ 2,672

10. Commitments and Contingencies

Operating Leases

The Company leases its facilities, which 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. In February 2008, the Company entered into a non-cancelable lease for additional office space in Bedford, Massachusetts. The lease expires in September 2010 and provides a renewal option of five years and escalating payments over the life of the lease. In March 2008, the Company extended the lease of its Bedford, Massachusetts headquarters facility containing research and development and manufacturing space. Following the extension, the lease expires in September 2014. The lease is non-cancelable and contains a five year renewal option and escalating payments over the life of the lease. The Company also leases warehouse facilities in Billerica, Massachusetts. This lease expires in December 2012.

The Company's operating lease agreements contain scheduled rent increases which are being amortized over the terms of the agreement using the straight-line method and are included in other liabilities in the accompanying balance sheet.

Indemnifications

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

In accordance with its bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to

In accordance with its bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company's request in such capacity. There have been no claims to date and the Company has a director and officer insurance policy that enables it to recover a portion of any amounts paid for future claims.

11. Equity

In October 2009, in a public offering, the Company issued and sold 6,900,000 shares of its common stock at a price to the public of $10.25 per share. In connection with the offering, the Company received total gross proceeds of $70.7 million, or approximately $66.1 million in net proceeds after deducting underwriting discounts and offering expenses.

Restricted Stock Units

On March 1, 2010, the Company awarded 305,999 restricted stock units to certain employees. The restricted stock units were granted under the Company's 2007 Stock Option and Incentive Plan (the "2007 Plan") and vest annually over three years from the grant date. The restricted stock units granted had a weighted average fair value of $15.16 based on the closing price of the Company's common stock on the date of grant. The restricted stock units were valued at approximately $4.6 million at their grant date, and the Company is recognizing the compensation expense over the three year vesting period. Approximately $0.1 million of stock-based compensation expense related to the vesting of restricted stock units was recognized in the three months ended March 31, 2010, and approximately $4.5 million of the fair value of the restricted stock units remained unrecognized as of March 31, 2010. Under the terms of the award, the Company will issue shares of common stock on each of the vesting dates. None of the restricted stock units awarded to employees vested during the three months ended March 31, 2010.

The following table summarizes the status of the Company's restricted stock units:

	Number of Shares	Weighted Average Fair Value
Balance, December 31, 2009	-	$ -
Granted	305,999	15.16
Vested	-	-
Forfeited	-	-
Balance, March 31, 2010	305,999	$ 15.16

Restricted Common Stock

During the year ended December 31, 2008, the Company awarded 4,000 shares of restricted common stock to a non-employee in exchange for $0.001 per share. The shares of restricted common stock were granted under the 2007 Plan and vest over two years. The shares of restricted common stock granted had a weighted average fair value of $8.04 based on the closing price of the Company's common stock on the date of grant. The Company is recognizing the total compensation expense of $32,000 over the two year vesting period.

The following table summarizes the status of the Company's restricted shares:

	Number of Shares	Weighted Average Fair Value
Balance, December 31, 2009	2,220	$ 8.04
Granted	-	-
Vested	(444)	8.04
Forfeited	-	-
Balance, March 31, 2010	1,776	$ 8.04

Stock Options

The following summarizes the activity under the Company's stock option plans:

	Number of Options(#)	Weighted Average Exercise Price($)	Aggregate Intrinsic Value($) (In thousands)
Balance, December 31, 2009	3,542,590	8.36	
Granted	190,500	15.07	
Exercised	(184,498)	3.41	2,114(1)
Canceled	(43,376)	15.28	
Balance, March 31, 2010	3,505,216	8.90	23,274(2)
Vested, March 31, 2010	1,806,365	7.94	13,743(2)
Vested and expected to vest, March 31, 2010 (3)	2,893,909		19,939(2)

(1) The aggregate intrinsic value was calculated based on the positive difference between the fair market 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 fair market value of the Company's common stock as of March 31, 2010, and the exercise price of the underlying options.

(3) Represents the number of vested options as of March 31, 2010, plus the number of unvested options expected to vest as of March 31, 2010, based on the unvested options outstanding as of March 31, 2010, adjusted for the estimated forfeiture rate of 16%.

At the time of grant, options granted under the Company's 2000 Stock Option and Incentive Plan (the "2000 Plan") are typically immediately exercisable, but subject to restrictions. Therefore, under the 2000 Plan, the number of options exercisable is greater than the number of options vested until all options are fully vested. As of March 31, 2010 and 2009, no shares were contingently issued under the employee stock purchase plan ("ESPP"), respectively. In the three months ended March 31, 2010 and 2009, the Company recorded no significant stock-based compensation charges related to the ESPP.

Employee stock-based compensation expense recognized in the three months ended March 31, 2010 and 2009 was $1.3 million and $1.2 million, respectively. The employee stock-based compensation expense relates to all stock awards granted.

12. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company provided a valuation allowance for the full amount of its net deferred tax asset for all periods because realization of any future tax benefit cannot be determined as more likely than not, as the Company does not expect income in the near-term.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and the accompanying 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. 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: our historical operating losses; our dependence on the OmniPod System; our ability to achieve and maintain market acceptance of the OmniPod System; our ability to increase customer orders and manufacturing volume; adverse changes in general economic conditions; our ability to raise additional funds in the future; our ability to anticipate and effectively manage risks associated with doing business internationally, particularly in China; our dependence on third-party suppliers; our ability to obtain favorable reimbursement from third-party payors for the OmniPod System and potential adverse changes in reimbursement rates or policies relating to the OmniPod; potential adverse effects resulting from competition; technological innovations adversely affecting our business; potential termination of our license to incorporate a blood glucose meter into the OmniPod System; our ability to protect our intellectual property and other proprietary rights; conflicts with the intellectual property of third parties; adverse regulatory or legal actions relating to the OmniPod System; the potential violation of federal or state laws prohibiting "kickbacks" and false and fraudulent claims or adverse affects of challenges to or investigations into our practices under these laws; product liability lawsuits that may be brought against us; unfavorable results of clinical studies relating to the OmniPod System or the products of our competitors; our ability to attract and retain key personnel; our ability to manage our growth; our ability to maintain compliance with the restrictions and related to our indebtedness; our ability to successfully maintain effective internal controls; the volatility of the price of our common stock; and other risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the Securities and Exchange Commission on March 9, 2010 as updated by Part II, Item 1A., "Risk Factors" of this Quarterly Report on Form 10-Q. 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.

Overview

We are a medical device company that develops, manufactures and markets an insulin infusion system for people with insulin-dependent diabetes. Our proprietary OmniPod Insulin Management System consists of our disposable OmniPod insulin infusion device and our handheld, wireless Personal Diabetes Manager.

The U.S. Food and Drug Administration, or FDA, approved the OmniPod System in January 2005, and we began commercial sale of the OmniPod System in the United States in October 2005. We have progressively expanded our marketing and sales efforts from an initial focus in the Eastern United States, to having availability of the OmniPod System in the entire United States through internal sales and distribution channels as well as limited third-party distributors. In January 2010, we entered into an exclusive distribution agreement with Ypsomed Distribution AG, or Ypsomed, which intends to distribute and sell our OmniPod System in eleven countries beginning with Germany and the United Kingdom in the first half of 2010, subject to approved reimbursement. We focus our sales towards key diabetes practitioners, academic centers and clinics specializing in the treatment of diabetes patients, as well as individual diabetes patients.

We currently produce the OmniPod on a partially automated manufacturing line at a facility in China operated by a subsidiary of Flextronics International Ltd. We purchase complete OmniPods pursuant to our agreement with Flextronics. Under the agreement, Flextronics has agreed to supply us, as a non-exclusive supplier, with OmniPods at agreed upon prices per unit pursuant to a rolling 12-month forecast that we provide to Flextronics. The initial term of the agreement is three years from January 3, 2007, with automatic one-year renewals. The agreement may be terminated at any time by either party upon prior written notice given no less than a specified number of days prior to the date of termination. The specified number of days is intended to provide the parties with sufficient time to make alternative arrangements in the event of termination. By purchasing OmniPods manufactured by Flextronics in China, we have been able to substantially increase production volumes for the OmniPod and reduce our per unit production cost.

To achieve profitability, we seek to increase manufacturing volume and reduce the per unit production cost for the OmniPod by collaborating with contract manufacturers and reducing the cost of raw materials and sub-assemblies. By increasing production volumes of the OmniPod, we have been able to reduce our per-unit raw material costs and improve absorption of manufacturing overhead costs. This, as well as the continued collaboration with contract manufacturers to reduce the cost of supplies of raw materials and sub-assemblies and the installation of automated manufacturing equipment are important as we strive to achieve profitability. We believe our manufacturing capacity is sufficient to meet our expected 2010 demand for OmniPods.

Our sales and marketing effort is focused on generating demand and acceptance of the OmniPod System among healthcare professionals, people with insulin-dependent diabetes, third-party payors and third-party distributors. Our marketing strategy is to build awareness for the benefits of the OmniPod System through a wide range of education programs, social networking, patient demonstration programs, support materials, media advertisements and events at the national, regional and local levels. We are using third-party distributors to improve our access to managed care and government reimbursement programs, expand our commercial presence and provide access to additional potential patients. In addition, we entered into a distribution agreement with Ypsomed to become the exclusive distributor of the OmniPod System in eleven countries. We expect that Ypsomed will begin distributing and selling our OmniPod System, subject to approved reimbursement, in Germany and the United Kingdom in the second quarter of 2010, and in several other markets and in the second half of 2010 and in the first half of 2011. We expect Ypsomed to work with the appropriate agencies to establish an appropriate distribution and reimbursement process in each of these countries.

As a medical device company, reimbursement from third-party payors is an important element of our success. If patients are not adequately reimbursed for the costs of using the OmniPod System, it will be much more difficult for us to penetrate the market. We continue to negotiate contracts establishing reimbursement for the OmniPod System with national and regional third-party payors. As we expand our sales and marketing focus, increase our manufacturing capacity and expand to international markets, we will need to maintain and expand available reimbursement for the OmniPod System.

Our continued growth is dependent on our ability to generate interest in our products through sales and marketing activities. We are also dependent on our ability to effectively and correctly evaluate the extent of patients' reimbursement coverage under applicable reimbursement programs in order to convert customer inquiries into shipments and revenue.

Since our inception in 2000, we have incurred losses every quarter. In the three months ended March 31, 2010, we incurred net losses of $13.9 million. As of March 31, 2010, we had an accumulated deficit of $343.7 million. We have financed our operations through the private placement of debt and equity securities, public offerings of our common stock, a private placement of our convertible debt and borrowings under certain debt agreements. In October 2009, we issued and sold 6,900,000 shares of our common stock at a price to the public of $10.25 per share. In connection with the offering, we received total gross proceeds of $70.7 million, or approximately $66.1 million in net proceeds after deducting underwriting discounts and offering expenses. As of March 31, 2010, we had $85 million of convertible debt outstanding and $32.5 million of outstanding debt relating to a facility agreement entered into March 13, 2009 and amended on September 25, 2009.

Our long-term financial objective is to achieve and sustain profitable growth. Our efforts for the remainder of 2010 will be focused primarily on continuing to reduce our per-unit production costs, expanding sales to international markets and reducing our spending on manufacturing overhead and operating expenses as a percentage of revenue. The continued expansion of our manufacturing capacity will help us to achieve lower material costs due to volume purchase discounts and improved absorption of manufacturing overhead costs, reducing our cost of revenue as a percentage of revenue. Achieving these objectives is expected to require additional investments in certain personnel and initiatives to allow for us to increase our market penetration in the United States market and enter certain international markets. 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.

Facility Agreement and Common Stock Warrants

In March 2009, we entered into a Facility Agreement with certain institutional accredited investors, pursuant to which the investors agreed to loan us up to $60 million, subject to the terms and conditions set forth in the Facility Agreement. Following the initial disbursement of $27.5 million on March 31, 2009, we could, but were not required to, draw down on the facility in $6.5 million increments at any time until November 2010 provided that we met certain financial performance milestones. In connection with this financing, we paid Deerfield Management Company, L.P., an affiliate of the lead lender, a one-time transaction fee of $1.2 million. Total financing costs, including the transaction fee, were $3.0 million and were being amortized as interest expense over the 42 month term of the Facility Agreement.

The amounts initially drawn under the Facility Agreement accrued interest at a rate of 9.75% per annum, and the undrawn amounts under the Facility Agreement accrued interest at a rate of 2.75% per annum. Accrued interest is payable quarterly in cash in arrears. We had the right to prepay any amounts owed without penalty unless the prepayment was in connection with a major transaction.

In September 2009, we entered into an Amendment to the Facility Agreement whereby we repaid the $27.5 million of outstanding debt and promptly drew down the remaining $32.5 million available under the Facility Agreement. The lender eliminated all future performance milestones associated with the remaining $32.5 million available on the credit facility and reduced the annual interest rate on any borrowed funds to 8.5%. In connection with the Amendment to the Facility Agreement, we entered into a Securities Purchase Agreement with the lenders whereby we sold 2,855,659 shares of our common stock to the lenders at $9.63 per share. We received aggregate proceeds of $27.5 million in connection with the sale of our shares. All subsequent references to the "Facility Agreement" refer to the Facility Agreement entered into in March 2009 and amended in September 2009.

All principal amounts outstanding under the Facility Agreement are payable in September 2012. Any amounts drawn under the Facility Agreement may become immediately due and payable upon (i) an "event of default," as defined in the Facility Agreement, in which case the lenders would have the right to require us to re-pay 100% of the principal amount of the loan, plus any accrued and unpaid interest thereon, or (ii) the consummation of certain change of control transactions, in which case the lenders would have the right to require us to re-pay 106% of the outstanding principal amount of the loan, plus any accrued and unpaid interest thereon. The Facility Agreement also provides for higher interest rates to be paid by us in certain events.

Because the consummation of certain change in control transactions would result in the payment of a premium of the outstanding principal, the premium feature is a derivative that is required to be bifurcated from the host debt instrument and recorded at fair value at each quarter end. As a higher interest rate could be paid by us upon the occurrence of certain events, the higher interest feature is also considered a derivative. The higher interest payment does not meet the criteria to be accounted for separately. Any changes in fair value of the premium feature will be recorded as interest expense. The difference between the face value of the outstanding principal on the Facility Agreement and the amount remaining after the bifurcation will be recorded as a discount to be amortized over the term of the Facility Agreement. As of March 31, 2010, the premium feature associated with the Facility Agreement had no value as we do not currently expect a change in control transaction to occur. The embedded derivatives related to the Facility Agreement will be reassessed and marked-to-market through earnings on a quarterly basis.

As of March 31, 2010 and December 31, 2009, $32.5 million of our outstanding debt related to the Facility Agreement is included in long-term debt in the consolidated balance sheet. In the three months ended March 31, 2010, approximately $0.7 million of cash interest related to the Facility Agreement was recorded. In the three months ended March 31, 2009, no interest expense was recorded related to the Facility Agreement.

In March 2009, in connection with the execution of the Facility Agreement, we issued to the lenders fully exercisable warrants to purchase an aggregate of 3.75 million shares of common stock at an exercise price of $3.13 per share. Pursuant to the original terms of the Facility Agreement, we would have been required to issue additional warrants to purchase 1.5 million shares upon drawing down the remaining $32.5 million under the facility. In connection with the Amendment to the Facility Agreement in September 2009, the lenders agreed to forego the remaining 1.5 million additional warrants that would have been issued upon future draws.

If we issue or sell shares of our common stock (other than (i) pursuant to a registered public offering or shelf takedown, (ii) in a transaction that does not require shareholder approval, (iii) to partners in connection with a joint venture, distribution or other partnering arrangement in a transaction that does not require shareholder approval, (iv) upon the exercise of options granted to our employees, officers, directors and consultants, (v) of restricted stock to, or purchases of, our common stock under our employee stock purchase plan by employees, officers, directors or consultants or (vi) upon the exercise of the warrants) after March 13, 2009, we will issue concurrently therewith additional warrants to purchase such number of shares of common stock as will entitle the lenders to maintain the same beneficial ownership in us after the issuance as they had prior to such issuance, as adjusted on a pro rata basis for repayments of the outstanding principal amount under the loan, with such warrants being issued at an exercise price equal to the greater of $3.13 per share and the closing price of the common stock on the date immediately prior to the issuance.

All warrants issued under the Facility Agreement remain unexercised as of March 31, 2010, expire on March 13, 2015 and contain certain limitations that prevent the holder from acquiring shares upon exercise of a warrant that would result in the number of shares beneficially owned by it to exceed 9.98% of the total number of shares of our common stock then issued and outstanding.

In addition, upon certain change of control transactions, or upon certain "events of default" (as defined in the warrant agreement), the holder has the right to net exercise the warrants for an amount of shares of our common stock equal to the Black-Scholes value of the shares issuable under the warrants divided by 95% of the closing price of the common stock on the day immediately prior to the consummation of such change of control or event of default, as applicable. In certain circumstances where a warrant or portion of a warrant is not net exercised in connection with a change of control or event of default, the holder will be paid an amount in cash equal to the Black-Scholes value of such portion of the warrant not treated as a net exercise.

The warrants issued in connection with the Facility Agreement qualify for permanent classification as equity and their relative fair value of $6.1 million on issuance date was recorded as additional paid in capital and debt discount. The unamortized value of the warrants was recorded as interest expense in the year ended December 31, 2009, in connection with the repayment and termination of the initial disbursement.

Convertible Notes

In June 2008, we sold $85.0 million principal amount of 5.375% Convertible Senior Notes due June 15, 2013 (the "5.375% Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The interest rate on the notes is 5.375% per annum on the principal amount from June 16, 2008, payable semi-annually in arrears in cash on December 15 and June 15 of each year. The 5.375% Notes are convertible into our common stock at an initial conversion rate of 46.8467 shares of common stock per $1,000 principal amount of the 5.375% Notes, which is equivalent to a conversion price of approximately $21.35 per share, representing a conversion premium of 34% to the last reported sale price of our common stock on the NASDAQ Global Market on June 10, 2008, subject to adjustment under certain circumstances, at any time beginning on March 15, 2013 or under certain other circumstances and prior to the close of business on the business day immediately preceding the final maturity date of the notes. The 5.375% Notes will be convertible for cash up to their principal amount and shares of our common stock for the remainder of the conversion value in excess of the principal amount. We do not have the right to redeem any of the 5.375% Notes prior to maturity. If a fundamental change, as defined in the Indenture for the 5.375% Notes, occurs at any time prior to maturity, holders of the 5.375% Notes may require us to repurchase their notes in whole or in part for cash equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, including any additional interest, to, but excluding, the date of repurchase.

If a holder elects to convert its 5.375% Notes upon the occurrence of a make-whole fundamental change, as defined in the Indenture for the 5.375% Notes, the holder may be entitled to receive an additional number of shares of common stock on the conversion date. These additional shares are intended to compensate the holders for the loss of the time value of the conversion option and are set forth in the Indenture for the 5.375% Notes. In no event will the number of shares issuable upon conversion of a note exceed 62.7746 per $1,000 principal amount (subject to adjustment as described in the Indenture for the 5.375% Notes).

We recorded a debt discount of $26.9 million to equity to reflect the value of our nonconvertible debt borrowing rate of 14.5% per annum. This debt discount is being amortized as interest expense over the 5 year life of the 5.375% Notes.

We incurred deferred financing costs related to this offering of approximately $3.5 million, of which $1.1 million has been reclassified as an offset to the value of the amount allocated to equity. The remainder is recorded as other assets in the consolidated balance sheet and is being amortized as a component of interest expense over the five year term of the 5.375% Notes. We incurred interest expense of approximately $2.5 million for the three months ended March 31, 2010, related to the 5.375% Notes. Of the $2.5 million, approximately $1.4 million relates to amortization of the debt discount and deferred financing costs and $1.1 million relates to cash interest.

As of March 31, 2010, the outstanding amounts related to the 5.375% Notes of $65.7 million are included in long-term debt in the consolidated balance sheet and reflect the debt discount of $19.3 million. As of December 31, 2009, the outstanding amounts related to the 5.375% Notes of $64.5 million are included in long-term debt and reflect the debt discount of $20.5 million. The debt discount includes the equity allocation of $25.8 million (which represents $26.9 million less the $1.1 million of allocated financing costs) offset by the accretion of the debt discount through interest expense from the issuance date over the 5 year term of the notes. We recorded $1.2 million of interest expense related to the debt discount in the three months ended March 31, 2010. As of March 31, 2010, the 5.375% Notes have a remaining term of 3.25 years. We recorded $1.0 million of interest expense related to the debt discount in the three months ended March 31, 2009.

We received net proceeds of approximately $81.5 million from this offering. Approximately $23.2 million of the proceeds from this offering were used to repay and terminate our then-existing term loan, including outstanding principal and accrued and unpaid interest of $21.8 million, a prepayment fee related to the term loan of approximately $0.4 million and a termination fee related to the term loan of $0.9 million. We are using the remainder for general corporate purposes. In connection with this term loan, we issued warrants to the lenders to purchase up to 247,252 shares of Series E preferred stock at a purchase price of $3.64 per share. The warrants automatically converted into warrants to purchase common stock on a 1-for-2.6267 basis at a purchase price of $9.56 per share at the closing of our initial public offering in May 2007. At March 31, 2010, warrants to purchase 62,752 shares of common stock remain outstanding and exercisable at a price of $9.56 per share.

Financial Operations Overview

Revenue. We derive nearly all of our revenue from the sale of the OmniPod System directly to patients and third-party distributors who resell the product to diabetes patients. The OmniPod System is comprised of two devices: the OmniPod, a disposable insulin infusion device that the patient wears for up to three days and then replaces; and the Personal Diabetes Manager ("PDM"), a handheld device much like a personal digital assistant that wirelessly programs the OmniPod with insulin delivery instructions, assists the patient with diabetes management and incorporates a blood glucose meter. Revenue is derived from the sale to new customers or third-party distributors of OmniPods and Starter Kits, which include the PDM, the OmniPod System User Guide and our Interactive Training CD, and from the subsequent sales of additional OmniPods to existing customers. Customers generally order a three-month supply of OmniPods. In January 2010, we entered into an exclusive distribution agreement with Ypsomed which intends to distribute and sell the OmniPod System, subject to approved reimbursement, in eleven countries, beginning with Germany and the United Kingdom in the second quarter of 2010, and in several other markets in the second half of 2010 and in the first half of 2011. For the three months ended March 31, 2010, and for preceding periods, materially all of our revenue was derived from sales within the United States.

In March 2008, we received a cash payment from Abbott Diabetes Care, Inc. ("Abbott") for an agreement fee in connection with execution of the first amendment to the development and license agreement with Abbott. We are recognizing the payment as revenue over the 5 year term of the agreement. Under the amended Abbott agreement, beginning July 1, 2008, Abbott agreed to pay us an amount for services performed by us in connection with each sale of a PDM that includes an Abbott Discrete Blood Glucose Monitor to certain customers. We recognize the revenue related to this portion of the Abbott agreement at the time we meet the criteria for revenue recognition, typically at the time the revenue is recognized on the sale of the PDM to a new patient. In both of the three month periods ended March 31, 2010 and 2009, we recognized $1.1 million of revenue related to the Abbott agreement. There was no impact to cost of revenue related to this agreement.

As of March 31, 2010 and December 31, 2009, we had deferred revenue of $5.5 million and $5.1 million, respectively, which includes product-related revenue as well as the unrecognized portion of the agreement fee related to the Abbott agreement.

For the year ending December 31, 2010, we expect our revenue to continue to increase as we continue to gain new customers in the United States and expand to certain international markets. Increased revenue will be dependent upon the success of our sales efforts, our ability to produce OmniPods in sufficient volumes and other risks and uncertainties.

Cost of revenue. Cost of revenue consists primarily of raw materials, labor, warranty and overhead costs related to the OmniPod System. Cost of revenue also includes depreciation, freight and packaging costs. The increase in our OmniPod production volume, as well as our ability to gain cost savings on our bill of materials, is expected to reduce the per-unit cost of manufacturing the OmniPods by allowing us to reduce our direct costs and spread our fixed and semi-fixed overhead costs over a greater number of units.

Research and development. Research and development expenses consist primarily of personnel costs within our product development, regulatory and clinical functions, as well as the costs of market studies and product development projects. We expense all research and development costs as incurred. In the first half of 2010, we will incur higher levels of spending on our current research and development efforts, which are focused primarily on increased functionality, improved design for ease of use and reduction of production cost, as well as developing a new OmniPod System that incorporates continuous glucose monitoring technology. This level of spending is expected to decrease in the second half of the year.

General and administrative. General and administrative expenses consist primarily of salaries and other related costs for personnel serving the executive, finance, information technology and human resource functions, as well as legal fees, accounting fees, insurance costs, bad debt expenses, shipping, handling and facilities-related costs. For the remainder of 2010, we expect general and administrative expenses to decrease slightly compared to current levels as we continue to drive efficiencies in our administrative functions.

Sales and marketing. Sales and marketing expenses consist primarily of personnel costs within our sales, marketing, reimbursement support, customer support and training functions, sales commissions paid to our sales representatives and costs associated with participation in medical conferences, physician symposia and promotional activities, including distribution of units used in our demonstration kit programs. For the remainder of 2010, we expect sales and marketing expenses to increase compared to current levels as we expand our sales and marketing efforts to meet our business needs.

Results of Operations

The following table presents certain statement of operations information for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,		
	2010	2009	% Change
	(Dollar amounts in thousands)		
Revenue	$ 20,807	$ 12,469	67%
Cost of revenue	12,422	10,474	19%
Gross profit	8,385	1,995	320%
Operating expenses:			
Research and development	3,847	3,204	20%
General and administrative	6,959	7,491	7%
Sales and marketing	8,309	8,772	5%
Total operating expenses	19,115	19,467	2%
Operating loss	(10,730)	(17,472)	39%
Other expense, net	(3,125)	(2,173)	44%
Net loss	$ (13,855)	$ (19,645)	29%

Comparison of the Three Months Ended March 31, 2010 and 2009

Revenue

Our total revenue was $20.8 million and $12.5 million for the three months ended March 31, 2010 and 2009, respectively. The increase in revenue is primarily due to an increased number of patients using the OmniPod System and an increase in sales to distributors. We expect our revenue to continue to increase as we continue to add new patients, both in the United States and internationally, and generate an increased number of reorders based on our expanding patient base. In addition, we expect to continue to recognize additional revenue related to the Abbott agreement.

Cost of Revenue

Cost of revenue was $12.4 million and $10.5 million for the three months ended March 31, 2010 and 2009, respectively. The increase in cost of revenue is primarily due to the significantly increased sales volume. This increase was partially offset by a decrease in per-unit costs to manufacture the OmniPod in the three months ended March 31, 2010, as compared to the same period in 2009. The decrease in our per-unit cost was a result of cost savings on raw materials, volume discounts from our suppliers and increased production volumes. We experienced continuing improvement of our gross margin as a result of the 67% increase in revenue as well as the decrease in the per-unit cost to manufacture the OmniPod,from the three months ended March 31, 2009 compared to the same period in 2010.

Research and Development

Research and development expenses increased $0.6 million, or 20%, to $3.8 million for the three months ended March 31, 2010 compared to $3.2 million for the same period in 2009. For the three months ended March 31, 2010, the increase in research and development expenses was primarily attributable to an increase of $0.8 million in outside services and $0.3 million in products used for research and development. These increased costs were incurred mainly in connection with the development of the next generation OmniPod and were offset by a $0.3 million decrease in employee related expenses including stock-based compensation and a $0.1 million decrease in travel-related costs.

General and Administrative

General and administrative expenses decreased $0.5 million, or 7%, to $7.0 million for the three months ended March 31, 2010, compared to $7.5 million for the same period in 2009. For the three months ended March 31, 2010, the decrease in general and administrative expenses was primarily due to a decrease of $0.2 million in professional services, a $0.2 million decrease in allowances and write-offs of trade accounts receivable and a $0.1 million decrease in freight costs. These decreases were offset by an increase of $0.2 million in employee compensation and benefit costs, including stock-based compensation.

Sales and Marketing

Sales and marketing expenses decreased $0.5 million, or 5%, to $8.3 million for the three months ended March 31, 2010, compared to $7.5 million for the same period in 2009. For the three months ended March 31, 2010, the decrease in sales and marketing expenses was primarily due to a decrease of $0.3 million in samples and Patient Demonstration Kits, a decrease of $0.3 million in printing costs and a decrease of $0.1 million in travel related expenses. These decreases were partially offset by a $0.2 million increase in promotion and advertising costs and a $0.1 million increase in outside consulting services, which include our external trainers.

Other Income (Expense)

Net interest expense was $3.1 million for the three months ended March 31, 2010, compared to $2.2 million for the same period in 2009. For the three months ended March 31, 2010, the increase in net interest expense was primarily due to interest incurred on the credit facility entered into in March 2009. We anticipate net interest expense to remain consistent with current levels for the remainder of 2010.

Liquidity and Capital Resources

We commenced operations in 2000 and to date we have financed our operations primarily through private placement of common and preferred stock, secured indebtedness, public offerings of our common stock and issuance of convertible debt. As of March 31, 2010, we had $118.3 million in cash and cash equivalents. We believe that our current cash and cash equivalents, together with the cash expected to be generated from product sales, will be sufficient to meet our projected operating and debt service requirements for at least the next twelve months.

Financial Resources

In October 2009, in a public offering, we issued and sold 6,900,000 shares of our common stock at a price to the public of $10.25 per share. In connection with this offfering, we received total gross proceeds of $70.7 million, or approximately $66.1 million in net proceeds after deducting underwriter discounts and offering expenses.

In March 2009, we entered into a Facility Agreement with certain institutional accredited investors, pursuant to which the investors agreed to loan us up to $60 million, subject to the terms and conditions set forth in the Facility Agreement. Following the initial disbursement of $27.5 million on March 31, 2009, we could, but were not required to, draw down on the facility in $6.5 million increments at any time until November 2010 provided that we met certain financial performance milestones. In connection with this financing, we paid Deerfield Management Company, L.P., an affiliate of the lead lender, a one-time transaction fee of $1.2 million. Total financing costs, including the transaction fee, as of June 30, 2009 were $3.0 million. The amounts initially drawn under the Facility Agreement accrued interest at a rate of 9.75% per annum, and the undrawn amounts under the Facility Agreement accrued interest at a rate of 2.75% per annum. Accrued interest is payable quarterly in cash in arrears. We had the right to prepay any amounts owed without penalty unless the prepayment was in connection with a major transaction.

In September 2009, we entered into an Amendment to the Facility Agreement whereby we repaid the $27.5 million of outstanding debt and promptly drew down the remaining $32.5 million available under the Facility Agreement. The lender eliminated all future performance-related milestones associated with the remaining $32.5 million available on the credit facility and reduced the annual interest rate to 8.5%. In connection with the Amendment to the Facility Agreement, we entered into a Securities Purchase Agreement with the lenders whereby we sold 2,855,659 shares of our common stock to the lenders at $9.63 per share. We received aggregate proceeds of $27.5 million in connection with the sale of our shares. All principal amounts outstanding under the Facility Agreement are payable in September 2012.

In March 2009, in connection with the execution of the Facility Agreement, we issued to the lenders fully exercisable warrants to purchase an aggregate of 3.75 million shares of common stock at an exercise price of $3.13 per share. Pursuant to the Facility Agreement, we would have been required to issue additional warrants to purchase 1.5 million shares upon drawing down the remaining $32.5 million under the facility. In connection with the Amendment of the Facility Agreement in September 2009, the lenders agreed to forego the remaining 1.5 million additional warrants that would have been issued upon future draws. At March 31, 2010, all warrants issued under the Facility Agreement remained unexercised.

In June 2008, we sold $85.0 million principal amount of 5.375% Convertible Senior Notes due June 15, 2013 (the "5.375% Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The interest rate on the notes is 5.375% per annum on the principal amount from June 16, 2008, payable semi-annually in arrears in cash on December 15 and June 15 of each year. The 5.375% Notes are convertible into our common stock at an initial conversion rate of 46.8467 shares of common stock per $1,000 principal amount of the 5.375% Notes, which is equivalent to a conversion price of approximately $21.35 per share, representing a conversion premium of 34% to the last reported sale price of our common stock on the NASDAQ Global Market on June 10, 2008, per $1,000 principal amount of the 5.375% Notes, subject to adjustment under certain circumstances, at any time beginning on March 15, 2013 or under certain other circumstances and prior to the close of business on the business day immediately preceding the final maturity date of the notes. The 5.375% Notes will be convertible for cash up to their principal amount and shares of our common stock for the remainder of the conversion value in excess of the principal amount. We do not have the right to redeem any of the 5.375% Notes prior to maturity. If a fundamental change, as defined in the Indenture for the 5.375% Notes, occurs at any time prior to maturity, holders of the 5.375% Notes may require us to repurchase their notes in whole or in part for cash equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, including any additional interest, to, but excluding, the date of repurchase.

We received net proceeds of approximately $81.5 million from this offering. We used a portion of the net proceeds to repay the entire outstanding principal balance, plus accrued and unpaid interest, under our then-existing term loan in the aggregate of approximately $21.8 million in its entirety. Additionally, we paid a prepayment fee related to the term loan of approximately $0.4 million, a termination fee related to the term loan of $0.9 million, and incurred certain other expenses related to the repayment and termination of the term loan.

Operating Activities

The following table sets forth the amounts of cash used in operating activities and net loss for each of the periods indicated:

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Cash used in operating activities	$ (9,178)	$ (12,971)
Net loss	$ (13,855)	$ (19,645)

For each of the periods above, the net cash used in operating activities was attributable primarily to the growth of our operations after adjustment for non-cash charges, such as depreciation, amortization of the debt discount and stock-based compensation expense as well as changes to working capital. Significant uses of cash from operations include an increase in accounts receivable and a decrease in accounts payable and accrued expenses. The increase in accounts receivable is primarily attributable to our increased sales, and to some extent increased aging of receivable balances. Accounts receivables are shown net of increased allowances for doubtful accounts in the consolidated balance sheets. Cash used in operating activities is partly offset by decreases in inventory and other assets and an increase in deferred revenue.

Investing Activities

The following table sets forth the amounts of cash used in investing activities and cash provided by financing activities for each of the periods indicated:

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Cash used in investing activities	$ (1,090)	$ (165)
Cash provided by financing activities	$ 610	$ 24,637

Cash used in investing activities in both periods was primarily for the purchase of fixed assets for use in the development and manufacturing of the OmniPod System. Our cash used in investing activities has increased significantly in the three months ended March 31, 2010, compared to the three months ended March 31, 2009, as we increased spending on equipment to be used to manufacture our next generation of the OmniPod. Capital expenditures are expected to increase in 2010 compared to 2009. Cash provided by financing activities in the three months ended March 31, 2010 mainly consisted of the net proceeds from the issuance of common stock in connection with the exercise of stock options. Cash provided by financing activities in the three months ended March 31, 2009 was mainly related to the net proceeds from the Facility Agreement entered into in March 2009.

Lease Obligations

We lease our facilities, which are accounted for as operating leases. The lease of our facilities in Bedford and Billerica, Massachusetts, generally provides for a base rent plus real estate taxes and certain operating expenses related to the lease. All operating leases contain renewal options and escalating payments over the term of the lease. As of March 31, 2010, we had an outstanding letter of credit which totaled $0.2 million to cover our security deposits for lease obligations.

Off-Balance Sheet Arrangements

As of March 31, 2010, 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 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 believe that the policies set forth below may involve a higher degree of judgment and complexity in their application than our other accounting policies and represent the critical accounting policies and estimates used in the preparation of our financial statements. If different assumptions or conditions were to prevail, the results could be materially different from our reported results.

Revenue Recognition

We generate nearly all of our revenue from sales of our OmniPod Insulin Management System to diabetes patients and third-party distributors who resell the product to diabetes patients. The initial sale to a new customer or a third-party distributor typically includes OmniPods and a Starter Kit, which includes the PDM, the OmniPod System User Guide and our Interactive Training CD. Subsequent sales to existing customers typically consist of additional OmniPods.

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 collectibility 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 upon transfer to the third party carrier; transfer of title and risk and rewards of ownership are passed to the distributor typically upon their receipt 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 and rebates to customers are established as a reduction to revenue in the same period the related sales are recorded.

We assess whether the different elements qualify for separate accounting. We recognize revenue for the initial shipment to a patient or other third party once all elements have been delivered.

We offer a 45-day right of return for our Starter Kits sales, and we defer revenue to reflect estimated sales returns in the same period that the related product sales are recorded. Returns are estimated through a comparison of historical return data to their related sales. Historical rates of return are adjusted for known or expected changes in the marketplace when appropriate. Historically, sales returns have amounted to approximately 3% of gross product sales.

When doubt exists about reasonable assuredness of collectibility from specific customers, we defer revenue from sales of products to those customers until payment is received.

In March 2008, we received a cash payment from Abbott Diabetes Care, Inc. ("Abbott") for an agreement fee in connection with execution of the first amendment to the development and license agreement between us and Abbott. We recognize the agreement fee received from Abbott over the initial 5-year term of the agreement, and the non-current portion of the agreement fee is included in other long-term liabilities. Under the amended Abbott agreement, beginning July 1, 2008, Abbott agreed to pay us an amount for services performed by us in connection with each sale of a PDM that includes an Abbott Discrete Blood Glucose Monitor to certain customers. We recognize the revenue related to this portion of the Abbott agreement at the time we meet the criteria for revenue recognition, typically at the time the revenue is recognized on the sale of the PDM to the patient. In both of the three month periods ended March 31, 2010 and 2009, we recognized $1.1 million of revenue related to the amended Abbott agreement. There was no impact to cost of revenue related to this agreement.

We had deferred revenue of $5.5 million and $5.1 million as of March 31, 2010 and December 31, 2009, respectively. The deferred revenue recorded as of March 31, 2010 was comprised of product-related revenue as well as the non-amortized agreement fee related to the Abbott agreement.

Restructuring Expense and Impairment of Assets

In connection with our efforts to pursue improved gross margins, leverage operational efficiencies and better pursue opportunities for low-cost supplier sourcing of asset costs, we periodically perform an evaluation of our manufacturing processes and review the carrying value of our property and equipment to assess the recoverability of these assets whenever events indicate that impairment may have occurred. As part of this assessment, we review the future undiscounted operating cash flows expected to be generated by those assets. If impairment is indicated through this review, the carrying amount of the asset would be reduced to its estimated fair value. This review of manufacturing processes and equipment can result in restructuring activity or an impairment of assets based on current net book value and potential future use of the assets.

Our restructuring expenses may also include workforce reduction and related costs for one-time termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement. We record these one-time termination benefits upon incurring the liability provided that the employees are notified, the plan is approved by the appropriate level of management, the employees to be terminated and the expected completion date are identified and the benefits the identified employees will be paid are established. Significant changes to the plan are not expected when we record the costs. In recording the workforce reduction and related costs, we estimate related costs such as taxes and outplacement services which may be provided under the plan. If changes in these estimated services occur, we may be required to record or reverse restructuring expenses associated with these workforce reduction and related costs.

Asset Valuation

Asset valuation includes assessing the recorded value of certain assets, including accounts receivable, inventory and fixed assets. We use a variety of factors to assess valuation, depending upon the asset. Actual results may differ materially from our estimates. Fixed property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over their useful life or the life of the lease, whichever is shorter. We review long-lived assets, including property and equipment and intangibles, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. We also review assets under construction to ensure certainty of their future installation and integration into the manufacturing process. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. We consider various valuation factors, principally discounted cash flows, to assess the fair values of long-lived assets.

Income Taxes

We file federal and state tax returns. We have accumulated significant losses since our inception in 2000. Since the net operating losses may potentially be utilized in future years to reduce taxable income (subject to any applicable limitations), all of our tax years remain open to examination by the major taxing jurisdictions to which we are subject.

We recognize estimated interest and penalties for uncertain tax positions in income tax expense. As of March 31, 2010, we had no interest and penalty accrual or expense.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due from third-party payors, patients and third-party distributors. The allowance for doubtful accounts is recorded in the period in which the revenue is recorded or at the time potential collection risk is identified. We estimate our allowance based on historical experience, assessment of specific risk, discussions with individual customers or various assumptions and estimates that we believe to be reasonable under the circumstances.

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, 2010, we had outstanding debt recorded at $65.7 million related to our 5.375% Notes and $32.5 million related to our Facility Agreement. As the interest rates on the 5.375% Notes and the Facility Agreement are fixed, changes in interest rates do not affect the value of our debt.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2010, 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) 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, our chief executive officer and chief financial officer have concluded that they believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

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, 2010 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

None.

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, 2009, 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. Other than as set forth below, 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, 2009.

Healthcare reform legislation could adversely affect our revenue and financial condition

The U.S. Congress recently passed significant reforms to the U.S. healthcare system. Included as part of this new legislation is a 2.3% excise tax on the medical device industry beginning January 1, 2013 that is payable based on revenue, not income. This future excise tax may have a material adverse effect on our financial condition and results of operations. In addition, there are provisions that provide for the creation of a new public-private Patient-Centered Outcomes Research Institute tasked with identifying comparative effectiveness research priorities, establishing a research project agenda and contracting with entities to conduct the research in accordance with the agenda. Research findings published by this institute will be publicly disseminated. It is difficult at this time to determine what impact the comparative effectiveness analysis will have on the OmniPod System or our future financial results. There may in the future be additional changes in government policy, including additional modifications to the recently-adopted healthcare reform bill, that could increase our cost of doing business and negatively impact our ability to sell our products and achieve profitability.

We are subject to extensive regulation by the U.S. Food and Drug Administration, which could restrict the sales and marketing of the OmniPod System and could cause us to incur significant costs. In addition, we may become subject to additional foreign regulation as we increase our efforts to sell the OmniPod System outside of the United States.

We sell medical devices that are subject to extensive regulation by the FDA. These regulations relate to manufacturing, labeling, sale, promotion, distribution and shipping. Before a new medical device, or a new use of or claim for an existing product, can be marketed in the United States, it must first receive either 510(k) clearance or pre-market approval from the FDA, unless an exemption applies. We may be required to obtain a new 510(k) clearance or pre-market approval for significant post-market modifications to the OmniPod System. Each of these processes can be expensive and lengthy, and entail significant user fees, unless exempt. The FDA's process for obtaining 510(k) clearance usually takes three to twelve months, but it can last longer. The process for obtaining pre-market approval is much more costly and uncertain and it generally takes from one to three years, or longer, from the time the application is filed with the FDA.

Medical devices may be marketed only for the indications for which they are approved or cleared. We have obtained 510(k) clearance for the current clinical applications for which we market our OmniPod System, which includes the use of U-100, which is a common form of insulin. However, our clearances can be revoked if safety or effectiveness problems develop. Further, we may not be able to obtain additional 510(k) clearances or pre-market approvals for new products or for modifications to, or additional indications for, the OmniPod System in a timely fashion or at all. Delays in obtaining future clearances would adversely affect our ability to introduce new or enhanced products in a timely manner which in turn would harm our revenue and future profitability. We have made modifications to our devices in the past and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. If the FDA disagrees, and requires new clearances or approvals for the modifications, we may be required to recall and to stop marketing the modified devices. We also are subject to numerous post-marketing regulatory requirements, which include quality system regulations related to the manufacturing of our devices, labeling regulations and medical device reporting regulations, which require us to report to the FDA if our devices cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury. In addition, these regulatory requirements may change in the future in a way that adversely affects us. For instance, the FDA is in the process of reviewing the 510(k) approval process and criteria and has announced initiatives to improve the current premarket and postmarket regulatory processes and requirements associated with infusion pumps and other home use medical devices. As part of this effort, the FDA is reviewing the adverse event reporting and recall processes for insulin pumps. If we fail to comply with present or future regulatory requirements that are applicable to us, we may be subject to enforcement action by the FDA, which may include any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notification, or orders for repair, replacement or refunds;
- voluntary or mandatory recall or seizure of our current or future products;
- administrative detention by the FDA of medical devices believed to be adulterated or misbranded;
- imposing operating restrictions, suspension or shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products, new intended uses or modifications to the OmniPod System;

- rescinding 510(k) clearance or suspending or withdrawing pre-market approvals that have already been granted; and
- criminal prosecution.

The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations.

In addition, we entered into a distribution agreement with Ypsomed to become our exclusive distributor of the OmniPod system, subject to approved reimbursement, in eleven countries, beginning with Germany and the United Kingdom in the second quarter of 2010, and in several other markets in the second half of 2010 and in the first half of 2011. By distributing our product outside of the United States we may be required to comply with additional foreign regulatory requirements. For example, in April 2009, we received CE Mark approval for our OmniPod System. The CE Mark gives us authorization to distribute the OmniPod System throughout the European Union and in other countries that recognize the CE Mark. Additionally, in September 2009, we received Health Canada approval to distribute the OmniPod System throughout Canada. As we expand our sales efforts internationally, we may need to obtain additional foreign approval certifications.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1*	Distribution Agreement dated January 4, 2010 by and between Insulet Corporation and Ypsomed Distribution AG.
10.2	Insulet Corporation Amended and Restated 2007 Employee Stock Purchase Plan.
31.1	Certification of Duane DeSisto, 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 Brian Roberts, 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 Duane DeSisto, President and Chief Executive Officer, and Brian Roberts, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Portions of this exhibit have been redacted pursuant to a request for confidential treatment submitted to the Securities Exchange Commission

SIGNATURES

Pursuant to the requirements 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: May 7, 2010

/s/ Duane DeSisto
Duane DeSisto
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 7, 2010

/s/ Brian Roberts
Brian Roberts
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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Exhibit 10.1

DISTRIBUTION AGREEMENT

dated as of January 4, 2010

between

Insulet Corporation

and

Ypsomed Distribution AG

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EXHIBITS:

Exhibit I:	Products
Exhibit II:	Territory
Exhibit III:	[***] Minimums and Pricing
Exhibit IV:	[***]
Exhibit V:	Business Plans

Distribution Agreement (this "*Agreement*"), dated as of January 4, 2010 (the "*Effective Date*"), between Insulet Corporation, a Delaware corporation ("*Insulet*") and Ypsomed Distribution AG, Brunnmattstrasse 6, CH-3401 Burgdorf, Switzerland ("*Distributor*"). Each of Insulet and Distributor are referred to herein as a "*Party*" or the "*Parties*."

Introduction

Insulet has rights to market, distribute and sell certain products set forth in Exhibit I (as updated by Insulet from time to time in writing) (the "*Products*"). Insulet wishes to distribute the Products by appointment of distributors to make sales in certain territories.

Insulet wishes to appoint Distributor as its exclusive distributor to promote, advertise, market, distribute and sell the Products in the territory referred to in Exhibit II (the "*Territory*") and Distributor wishes to act as distributor on the terms and conditions set forth in this Agreement.

Capitalized terms shall have the meanings ascribed to such terms in Section 12.2 or as otherwise provided in this Agreement.

For good and valuable consideration, and in reliance upon the covenants, promises, and representations and warranties contained herein, the Parties, intending legally to be bound, hereby agree as follows:

ARTICLE I
Appointment of Distributor

Section 1.1 Appointment.

(a) Subject to the terms and conditions of this Agreement, Insulet hereby appoints Distributor to act as its exclusive distributor to promote, advertise, market, distribute and sell the Products in the Territory during the Term. Distributor hereby accepts the appointment and agrees to use commercially reasonable efforts to promote, advertise, market, distribute and sell the Products in the Territory during the Term in accordance with the terms and conditions of this Agreement.

(b) Subject to Exhibit II, Sections III and IV, Insulet hereby retains all rights outside the Territory with respect to the Products in all respects, including the right to appoint other distributors.

(c) Insulet shall forward to Distributor all inquiries, requests for information and purchase orders from Persons in the Territory relating to the Products.

Section 1.2 Exclusivity. The appointment in Section 1.1(a) shall be exclusive to Distributor in the Territory during the Term until the [***]. Subject to Section 4.2, during the Term until the [***], Insulet shall not (directly or indirectly) appoint as its distributor any Person to, nor shall itself, promote, advertise, market, distribute or sell the Products, or any versions thereof, or any competitive products in the Territory, nor shall supply any Third Party for promotion, advertisement, marketing, distribution or sale of the Products, or any versions thereof, or any competitive products, in the Territory.

Section 1.3 Limitations on Appointment. Distributor shall not, and, if permitted under applicable Laws, shall cause each of its Sub-Distributors not to, (i) actively promote, advertise, market, distribute or sell the Products outside the Territory; or (ii) support by its own actions any Third Party in doing any of the foregoing (which support includes, for example and without limitation, providing any written marketing materials, conducting or financing any clinical trials or otherwise providing any consideration in support of same). In addition, once Distributor learns of any conduct by a Sub-Distributor of these prohibited activities, Distributor shall, if permitted under applicable Laws, use commercially reasonable efforts to end all such prohibited activities by such Sub-Distributor within a commercially reasonable time period, which in all events shall be within 6 months of first learning of any such prohibited activities by such Sub-Distributor, and if unable to end all such prohibited activities by such efforts: if permitted under applicable Laws, (a) terminate the appointment of such Sub-Distributor; and (b) stop selling (directly or indirectly through other Sub-Distributors or otherwise) the Products to such Sub-Distributor. If Insulet notifies Distributor in writing of any conduct by a non-Affiliated Sub-Distributor of any such prohibited activities, Distributor shall thereafter confirm in writing to Insulet that Distributor has complied with the immediately preceding sentence with respect to such Sub-Distributor. The Parties agree that if Distributor breaches its obligations under this Section 1.3, Insulet shall have the right, in Insulet's sole discretion, to [***].

Section 1.4 No Compensation. Insulet is not obligated to pay compensation for Distributor's performance of its obligations hereunder, and Distributor's sole compensation shall arise from its resale of the Products. Insulet shall not provide Distributor with any other compensation or benefits, and Insulet shall not be responsible for reimbursement of any out-of-pocket expenses, except as expressly set forth herein.

Section 1.5 Relationship. In the exercise of their respective rights and the performance of their respective obligations hereunder, the Parties are and shall remain independent contractors. Nothing in this Agreement shall be construed:

(a) to give either Party the right or power to direct or control the daily activities of the other Party;

(b) to create the relationship between the Parties of principal and agent, franchiser and franchisee, partners, joint ventures, co-owners or otherwise as participants in a joint undertaking;

(c) to authorize either Party to bind the other Party to, or assume or create any contract and obligation of any kind, express or implied, on behalf of the other Party or to any other Person; or

(d) to waive any right, interest and claim that one of the Parties may have against any other Person.

ARTICLE II
Marketing and Promotion

Section 2.1 Steering Committee.

(a) The Parties shall appoint a committee (the "*Steering Committee*") comprised of one member designated by Insulet and one member designated by Distributor. The initial members of the Steering Committee shall be the Vice President International Operations, for Insulet and the Senior Vice President Marketing and Sales, for Distributor. Each Party may replace its Steering Committee member at any time upon written notice to the other Party.

(b) The Steering Committee shall meet at least on a [***], which meeting can be a teleconference, and shall be responsible for reviewing and steering the promotion, advertising and marketing activities relating to the Products and the performance of the Agreement by the Parties.

(c) Each Party may invite, with the approval of the other Party (which shall not be unreasonably withheld), additional individuals to attend one or more meetings of the Steering Committee as ad hoc guests.

Section 2.2 Promotion, Advertising and Marketing.

(a) During the Term, Distributor shall actively promote, advertise, market, distribute and sell the Products only in the Territory.

(b) Distributor shall commercialize the Products in accordance with the Business Plans attached as Exhibit V and such additional Business Plans to be developed by Distributor during the Term of this Agreement. Distributor shall update the Business Plans at least annually and present them to Insulet for review no later than October 1 of each year preceding the implementation of such plan. Such Business Plan shall include, at a minimum: (i) Distributor's proposed promotion, advertising and marketing efforts; and (ii) a list of planned promotional activities, such as training sessions for the education and training of Customers.

(c) Distributor shall produce promotion, advertising and marketing materials for the Products in the Territory. In connection therewith, Distributor shall conduct such activities, including development, translation, printing and communication of marketing, sales, medical education or other related materials (e.g., sales literature, advertising materials and promotional programs) as commercially necessary for the distribution and sale of the Products in the Territory (along with all other documents and other materials intended for public distribution created by or on behalf of Distributor or any Sub-Distributor regarding Insulet or any Products, collectively, "*Distributor Materials*"). Insulet shall provide such support (e.g., regarding technical information relating to the Products or printed materials such as product labels) as is reasonably necessary to permit Distributor to fulfill any relevant regulatory requirements with regard to the Distributor Materials. Distributor shall [***], and shall provide all Distributor Materials that would entail public communication regarding the Products to Insulet (translated in English, if applicable) for its prior review and prompt approval insofar as the material relates to the Products, which approval shall not be unreasonably withheld, *provided* that any accurate translation of any such materials previously approved by Insulet, or any materials provided by Insulet, shall not require Insulet's separate approval. Unless Insulet has notified Distributor of any objections within [***], Insulet shall be deemed to have approved the Distributor Materials.

(d) To facilitate Distributor's performance of its obligations under this Section 2.2, Insulet shall, [***] make available to Distributor the following materials written in English: (i) commercial, informational and educational materials or publications created by or on behalf of Insulet relating to the Products; and (ii) samples of artwork created by or on behalf of Insulet, in each case which Insulet may have in its possession or control, sufficient to allow Distributor to translate (where necessary) and print, at Distributor's expense, sales literature, advertising materials, promotional programs or other materials required to promote, advertise, market, sell and distribute the Products.

Section 2.3 Sub-Distributors. Distributor shall be entitled to appoint one or more Sub-Distributors to promote, advertise, market, distribute or sell the Products in the Territory in accordance with the terms and conditions of this Agreement; *provided, however,* that Distributor shall not utilize or engage any Competitor of Insulet as a Sub-Distributor, without the prior written consent of Insulet. Distributor shall remain jointly and severally liable under this Agreement for the actions and omissions of each of its Sub-Distributors, and Distributor shall be solely responsible for any commitments, obligations or liabilities made by any of its Sub-Distributors.

Section 2.4 Customer Information.

(a) Within [***] during the Term, Distributor shall provide Insulet with a [***] report, which shall include the following information: (i) the number of new Customers added in the [***] by country; (ii) the number of unit sales of each Product by country; (iii) the average price paid by each Customer for each Product by country; (iv) any information required by Law, such as Customer complaint information; and (v) any such other information that may be reasonably requested by Insulet. Notwithstanding anything to the contrary in this Agreement, [***].

Section 2.5 Rights and Obligations of Distributor. Consistent with applicable Laws, Distributor shall actively promote the sale and distribution of the Products in the Territory. In particular, Distributor shall:

(a) appoint and train appropriately qualified staff to carry out its duties under this Agreement;

(b) undertake debtor collection;

(c) check product availability and confirm delivery dates to Customers;

(d) take orders from Customers and place such orders with Insulet;

(e) track Customers' orders and respond to Customers' inquiries on orders;

(f) undertake key account management;

(g) provide other customer service activities as requested by Insulet and agreed to by Distributor;

(h) assume no obligation or liability in Insulet's name;

(i) refrain from acting in such a manner as to be construed an employee or agent of Insulet;

(j) make no representations or claims with respect to the Products, except in accordance with Section 3.1;

(k) maintain sufficient inventory to fulfill its obligations under this Agreement and to Customers;

(l) keep Insulet informed on a reasonably regular basis on sales activity, and promptly disclose to Insulet all material information relating to the Products obtained concerning purchasing plans of existing and prospective Customers, *provided*, that [***];

(m) within 30 days of expiration or termination of this Agreement, return to Insulet, at Insulet's expense, all samples, catalogs, literature, correspondence, sales records, market data or information and other similar documents or materials on hand relating to the Products; and

(n) submit marketing materials relating to the Products, if any, to local Governmental Authorities only in those countries in the Territory where such submissions are required or necessary, or as directed by Insulet or any Governmental Authority in the Territory, and provide reasonable assistance to Insulet in connection with Insulet's submission of marketing materials relating to the Products in any country or jurisdiction in which Insulet is required by Laws to make such submissions.

Distributor may agree to provide other incidental services and perform other administrative functions in connection with or incidental to its duties hereunder, consistent with applicable Laws.

Section 2.6 Competing Products. [***] Distributor shall not, and, if permitted under applicable Laws, shall cause its Sub-Distributors not to, directly or indirectly engage in the [***], other than the Products as provided in this Agreement. In addition, once Distributor learns of any conduct by a Sub-Distributor of such activities, Distributor shall, unless such activities have been approved by Insulet and unless prohibited by applicable Laws, use commercially reasonable efforts to promptly end all such activities by such Sub-Distributor within a commercially reasonable time period, [***] and if unable to end all such prohibited activities by such efforts: if permitted under applicable Laws (a) terminate the appointment of such Sub-Distributor; and (b) stop selling (directly or indirectly through other Sub-Distributors or otherwise) the Products to such Sub-Distributor. If Insulet notifies Distributor in writing of any conduct by a non-Affiliated Sub-Distributor of any such prohibited activities, Distributor shall thereafter confirm in writing to Insulet that Distributor has complied with the immediately preceding sentence with respect to such Sub-Distributor. The Parties agree that if Distributor breaches its obligations under this Section 2.6, Insulet shall have the right, in Insulet's sole discretion, to [***]

ARTICLE III
Distribution of Products

Section 3.1 Distributor Covenants. Distributor hereby covenants and agrees for the benefit of Insulet that Distributor shall:

(a) conduct any promotion, advertising, marketing, distribution or sale of the Products in accordance with all applicable Laws and in material conformance with applicable industry codes, guidelines and standards, including each as amended and in force from time to time, and shall cultivate good relationships with Customers and potential customers in the Territory in accordance with sound commercial principles;

(b) observe and comply with such storage, stock control and operational practices and procedures with respect to the Products as may be legally required and as Insulet may specify or approve from time to time;

(c) not make any representation to Customers nor give any warranties other than those printed on the Products' packaging or labeling or included within marketing or sales aid material or other Product information provided or agreed to by Insulet;

(d) during the Term of this Agreement and for 3 years following expiration or termination of this Agreement, or such longer period as may be required by applicable Laws, maintain complete and accurate books of account and records showing orders placed, sales and services stock with respect to the Products;

(e) promote the Products solely for the indications and other conditions of use approved by the United States Food and Drug

Administration ("*FDA*") (or other Governmental Authority) as described in the Products' package inserts or FDA-approved labeling;

(f) not use the services of any Person debarred or suspended under section 306 of the Federal Food, Drug, and Cosmetic Act, as amended, in performing its obligations or exercising its rights under this Agreement. Distributor shall promptly notify Insulet if any Person whose services Distributor is using in the performance of its obligations or exercise of its rights under this Agreement becomes debarred or suspended;

(g) submit marketing materials relating to the Products, if any, to local Governmental Authorities only in those countries in the Territory where such submissions are required or necessary or as directed by Insulet or any Governmental Authority;

(h) be responsible for all reimbursement activity relating to the Products;

(i) promote, advertise, market, distribute and sell the Products in the Territory in substantially the same manner as other of Distributor's businesses; and

(j) execute trade terms, quantity discount, settlement terms, etc. in substantially the same manner as other of Distributor's businesses.

Section 3.2 Branding. Distributor shall have the right to choose the trademarks, logos and/or trade dress (the "*Product Branding*") pursuant to which the Products are marketed and sold in the Territory, *provided, however*, that Insulet's "OMNIPOD" trademark shall be included in the Product Branding in a manner to be mutually agreed upon by the Steering Committee.

Section 3.3 Insurance. The Parties shall maintain adequate insurance, in such amounts and with such insurance companies as is customary in accordance with sound business practices consistent with the nature of the Products. Each Party shall upon the request of the other Party furnish certificates of such insurance.

ARTICLE IV
Purchase, Sale and Delivery of Products

Section 4.1 Supply of Products.

(a) Insulet shall use commercially reasonable efforts to manufacture and supply the Products with the Product Branding for Distributor during the Term with such quantities of the Products as Distributor shall order from Insulet on the terms and conditions set forth in this Agreement.

(b) Insulet shall have the right to satisfy its supply obligations under this Agreement either in whole or in part through arrangements with Affiliates or Third Parties engaged by Insulet, *provided* that Insulet remains solely liable for the performance of such obligations.

(c) Insulet shall notify Distributor as soon as commercially reasonable, taking due account of Distributor's need to be informed, in the event Insulet anticipates any problems with supplying the quantities of the Products set forth in any forecast provided pursuant to Section 4.3, and the Parties shall agree on appropriate measures to address any such problems, including [***].

Section 4.2 [***] Minimums. The Parties agree to establish [***] Minimums for the Products in accordance with the following process:

(a) Exhibit III sets forth [***] Minimums [***]. [***] Minimums [***]

(b) [***]

(c) If a [***], Insulet shall give written notice thereof to Distributor, stating in reasonable detail the basis for [***]

Section 4.3 Forecasts. Upon execution of this Agreement, and for [***], Distributor shall provide to Insulet, [***] a written forecast of its best estimate Order forecast for the [***] such forecast to be broken down Product-by-Product, month-by-month and country-by-country. [***].

Section 4.4 Transfer Pricing. The transfer prices to be paid by Distributor for purchases of Products from Insulet for [***] shall be fixed as set forth in Exhibit III.

Section 4.5 Orders.

(a) All orders from Distributor to Insulet shall be initiated by a written purchase order specifying the quantities of the Products and requested dates of shipment (each, an "*Order*") and shall be deemed accepted within [***] after receipt by Insulet, unless Insulet notifies Distributor in writing within [***].

(b) Insulet shall not refuse to accept an Order which falls [***]. Insulet shall be entitled to reject or reschedule any Order that [***], *provided,* that Insulet shall not refuse to accept an Order which [***] Minimums.

(c) Contemporaneous with the execution of this Agreement, Distributor shall issue to Insulet [***] Minimums [***]

Section 4.6 Order of Precedence. Any inconsistency in any documents relating to the purchase of the Products shall be resolved by giving precedence in the following order: (i) the terms and conditions of this Agreement (including the Exhibits attached hereto); (ii) the provisions and text appearing on the face of the applicable Order insofar as they refer to the specific Order; and (iii) other documents, exhibits and attachments which accompany

appearing on the face of the applicable Order insofar as they refer to the specific Order, and (iii) other documents, exhibits and attachments which accompany such Order.

Section 4.7 Taxes and Governmental Charges. Prices do not include any taxes or other governmental charges, including import or export duties, value-added, sales, use or privileges taxes, property or excise, or similar taxes levied by any government. Distributor shall pay all such taxes or charges on or before the due date.

Section 4.8 Shipment, Delivery and Title. Insulet shall deliver the Products EXW (Incoterms 2000) at a facility designated by Insulet in [***]on the date as specified in the Order, *provided,* that such dates specified in the Orders shall allow for a delivery time of at least [***]. Title to each of the Products shall pass to Distributor (or to the Customer, where Insulet ships direct to a Customer) when delivery is made to the carrier at such point of shipment. Insulet shall be entitled to change the point of shipment, *provided, however,* that [***].

Section 4.9 Rejection of Delivery.

(a) Within [***], Distributor shall notify Insulet in writing of any physical damage or issue which is apparent from an external review of the packaged Products, and within [***], Distributor shall notify Insulet in writing of such claims by the Customer. In each case, Distributor shall, if possible, include with its notice sufficient samples to permit Insulet to evaluate Distributor's or the Customer's claims.

(b) Within [***], Insulet will inform Distributor in writing whether it accepts or rejects Distributor's or the Customer's claims. If the claim is accepted, then Insulet shall [***] Distributor shall return all non-conforming Products (less reasonable samples) in its possession at Insulet's expense within [***], *provided* that such shipment can be made in accordance with applicable Laws, including export Laws.

(c) If Insulet does not accept the claim, the Parties shall submit samples of the non-conforming Products for testing to an independent expert agreed upon by both Parties acting reasonably. If the Parties are unable to agree on the identity of the expert, the Parties shall jointly apply to a mutually agreed Third Party for the appointment of an expert. The expert's determination will be final absent of manifest error. The costs associated with such expert determination shall be [***].

Section 4.10 Terms of Payment. Insulet shall issue invoices for each shipment upon delivery in accordance with Section 4.8. Terms of payment shall be net [***] from date of the invoice. All payments shall be in United States Dollars and shall be fully net, without set-off, deduction or counterclaim.

Section 4.11 Late Charges. If Distributor fails to pay the price or any other payment due to Insulet promptly and when due, Insulet may recover, in addition to the price or payment, interest thereon at a rate of [***].

Section 4.12 Audits. All records relating to regulatory issues in connection with the Products will be available for audit by Insulet and Governmental Authorities biannually at all reasonable times and upon reasonable notice, and for a period of three (3) years following the expiration or termination of this Agreement; *provided, however*, that any such inspection by Insulet or its designees shall be conducted in a manner that does not unreasonably interfere with the operation of the day-to-day business affairs of the Party being inspected. Insulet shall pay all costs and expenses with respect to any such inspection or audit. [***]

Section 4.13 Trade Price. Distributor shall be free to set its own trade prices. Distributor shall keep Insulet informed as to the trade prices so determined.

ARTICLE V
Compliance with Laws; Regulatory Matters; Recycling

Section 5.1 Export and Trade Regulations. Both Parties shall endeavor to at all times carry out the transactions contemplated by this Agreement in conformity with all applicable Laws (including the United States Export Administration Acts), and shall obtain all necessary permits and licenses required in connection with the purchase, installation, sale, shipment, service or use of the Products. Shipments by Insulet are or may be subject to restrictions and limitations imposed by United States export controls and other trade sanctions. Each Party shall at all times use commercially reasonable efforts to keep the other Party informed of, and both Parties shall at all times use commercially reasonable efforts to comply with, such sanctions, controls and regulations, as well as the United States Foreign Corrupt Practices Act, in its respective use and disposition of the Products. If Insulet learns, or has reasonable cause to believe, or if any branch or agency of the government of the United States claims that a violation of any applicable export regulation or other trade sanction, export control or trade regulation by Distributor has occurred or is likely to occur because of any shipment by Insulet to Distributor, Insulet shall promptly notify Distributor and may, in addition to any other remedy it may have, suspend all shipments to Distributor until Insulet is satisfied that such violation did not occur or has ceased to occur, or such claim is withdrawn or otherwise resolved in favor of Insulet.

Section 5.2 Customer Complaints and Product Safety. The Parties will cooperate in and each Party is responsible for full compliance with its requirements regarding Vigilance, Product complaint, Field Safety Notices, Product Recall requirements set forth in MEDDEV 2.12-1 rev. 5 and/ any future revisions as well as corresponding regulatory requirements in all countries of the Territory listed in Section II of Exhibit II and internal corporate procedures and policies. Distributor shall promptly notify Insulet of any customer complaints of which it may become aware in relation to the Products or any component thereof. Distributor will provide such Products to Insulet for evaluation. Insulet will perform evaluations of such customer complaints and supply the results of such evaluations to Distributor, including, but not limited to, corrective action(s) and investigations. Distributor will respond directly to the Customer regarding the results of these evaluations. Insulet will be responsible for creating and implementing any corrective or preventive action that concerns the Products [***] Insulet is responsible to file all necessary filings with Governmental Authorities.

Section 5.3 Recalls. In the event any component of the Products is subject to a recall in the Territory, the Parties will cooperate, under

overall Insulet oversight, to manage the process in a commercially reasonable manner. In the event of a recall or potential recall of any component of the Products, Insulet will notify and consult with Distributor with regard to the measures to be taken consistent with good business practices. Insulet shall be responsible for implementing any recall that concerns the Products, and [***]

Section 5.4 Regulatory Interface. Insulet shall exercise commercially reasonable efforts to obtain and Maintain any Product Registrations in the countries of the Territory as set forth in Section II of Exhibit II during the Term. As used in this Section 5.4, the term "*Maintain*" means that: (a) Insulet shall exercise commercially reasonable efforts to maintain the Product Registrations as valid and in force with the appropriate Governmental Authorities, (b) Insulet shall use commercially reasonable efforts to the extent possible to minimize the number and extent of any changes to the Product Registrations, and (c) Insulet shall notify Distributor of any change to any of the Product Registrations during the Term and any such change requested or required by appropriate Governmental Authorities in the Territory. As between the Parties hereto, it is agreed that the Product Registrations shall be held in the name of Insulet, who shall be the beneficial owner of all Product Registrations and Distributor may not use the Product Registrations, or any of them, on or in respect of any product other than the Products or use any authorization other than one or more of the Product Registrations on or in respect of the Products, except as may be approved in writing by Insulet. Distributor agrees to use its commercially reasonable efforts to assist Insulet, [***] in obtaining and Maintaining the Product Registrations. [***] If any Governmental Authority gives notice to Insulet that its Product Registration may be invalid or may be revoked, limited, or conditioned, Insulet shall promptly inform Distributor, but in any case [***]

Section 5.5 Failure to Maintain. At any time during the Term, if Insulet fails to Maintain an existing Product Registration or any of the Product Registrations becomes invalid or not in full force and effect with the appropriate authorities in any country in the Territory, then [***], *provided* that [***].

Section 5.6 Regulatory Requirements. Distributor shall at all times promote, advertise, market distribute and sell the Products in accordance with all applicable Laws. Distributor shall also follow (a) all relevant current written regulatory, quality assurance instructions and guidelines agreed by the Parties.

Section 5.7 Labeling. Subject to Section 3.2 hereof, all labeling and package inserts used in any way in connection with the Products shall comply with the Product labeling supplied or approved in writing by Insulet and with all applicable Laws. Distributor shall promptly inform Insulet of any local requirements affecting the labeling and package inserts of the Products; *provided*, *however*, that Insulet remains independently obligated to be aware of regulatory requirements in all jurisdictions where it has obtained and Maintains a Product Registration.

Section 5.8 Local Laws. Distributor shall keep Insulet informed of any Laws of the Territory which might be applicable to, or affect the use or sale of, the Products in the Territory. Distributor shall inform Insulet of any instructions or requests inconsistent with these Laws, *provided*, *however*, that Insulet remains independently obligated to be aware of regulatory requirements in all jurisdictions where it has obtained and Maintains a Product Registration.

Section 5.9 Recycling. The Parties shall collaborate and agree upon an acceptable recycling program for the Products. The costs associated with such program shall be [***]

ARTICLE VI
Intellectual Property Rights

Section 6.1 Grant of License; Ownership of Intellectual Property Rights. Insulet hereby grants Distributor a non-exclusive, royalty-free, limited license during the Term and under the Intellectual Property Rights of Insulet relating to the Products solely to purchase Products from Insulet and to promote, advertise, market, distribute and sell Products to Customers in the Territory in accordance with the terms and conditions of this Agreement. Distributor hereby grants Insulet a non-exclusive, royalty-free, limited license during the Term and under the Intellectual Property Rights of Distributor to use the Product Branding solely for labeling of the Products pursuant to this Agreement and for no other purpose whatsoever.

Section 6.2 Use of Intellectual Property Rights. Distributor shall not alter, deface, remove, cover, mutilate, or add to, in any manner whatsoever, any patent notice, copyright notice, trademark, trade name, serial number, model number or legend that Insulet may attach or affix to the Products. Distributor also agrees that during the Term, it will not otherwise register or use any of Insulet's Intellectual Property Rights or any word, symbol or design confusingly similar thereto, unless agreed by Insulet.

Section 6.3 Assistance. Distributor shall, at the expense of Insulet, take such steps as Insulet may reasonably require to assist Insulet in maintaining the validity and enforceability of the Intellectual Property Rights of Insulet, and Distributor will not do, or allow or authorize any Person to do, any act which could invalidate or be inconsistent with the Intellectual Property Rights of Insulet and shall not omit, or allow or authorize any Person to omit, to do any act which, by its omission, could invalidate or be inconsistent with the Intellectual Property Rights.

Section 6.4 Notice of Claims of Infringement. Distributor shall promptly notify Insulet of (a) any claims or objections that its use of the Intellectual Property Rights in connection with the promotion, advertising, marketing, distribution or sale of the Products may or will infringe the copyrights, patents, trademarks or other proprietary rights of another Person, and (b) any and all infringements, imitations, illegal use, or misuse, by any Person, of the Intellectual Property Rights of Insulet which come to its attention; *provided*, *however*, that Distributor will not take any legal action relating to the protection of any Intellectual Property Rights of Insulet without the prior written approval of Insulet; and *provided further*, that Distributor shall render Insulet, [***], all reasonable assistance in connection with any matter pertaining to the protection of the Intellectual Property Rights, whether in courts, administrative agencies, or otherwise.

Section 6.5 Notice of Infringement. Distributor shall promptly notify Insulet of any infringement, violation, claim or objection in the Territory of or relating to the Intellectual Property Rights, Confidential Information or Product Registrations (including trademarks, patents, know-how, government licenses and health registrations) of Insulet which come to Distributor's attention, and shall, [***], cooperate in taking such action as Insulet may

government licenses and health registrations) of Insulet which come to Distributor's attention, and shall, [***], cooperate in taking such action as Insulet may reasonably deem necessary in connection with any such infringement, violation, claim or objection.

Section 6.6 Reservation of Rights. Except as otherwise expressly set forth herein, either Party reserves all right, title and interest in the Intellectual Property Rights of it or any of its Affiliates, and the other Party shall not acquire, or be deemed to have acquired, any right, title or interest whatsoever as a result of this Agreement in the Intellectual Property Rights of either Party or any of its Affiliates. Subject to Section 11.3, upon expiration or termination of this Agreement for any reason, the Parties agree to immediately discontinue any further use of the Intellectual Property Rights of the other Party granted under this Agreement.

ARTICLE VII
Confidentiality

Section 7.1 Non-Disclosure Obligations. During the Term, a Party may, at its sole discretion, disclose certain Confidential Information to the other Party. This information will be used solely to permit the receiving Party to exercise its rights and perform its obligations under this Agreement. The receiving Party shall not disclose any Confidential Information to a Third Party and shall refrain from using or exploiting any and all Confidential Information for any purpose or activities other than those specifically authorized in this Agreement. The receiving Party shall keep such Confidential Information secret during the Term of this Agreement and for [***] after the expiration or termination hereof.

Section 7.2 Ownership of Material. Except as otherwise expressly provided for herein, all files, lists, records, documents, drawings and specifications which incorporate or refer to all or a portion of the Confidential Information shall remain the sole property of the disclosing Party. Such materials shall be promptly returned upon the earlier of (a) the disclosing Party's reasonable request, or (b) expiration or termination of this Agreement.

Section 7.3 Exceptions. The provisions of this Article VII shall not apply, or shall cease to apply, to data and information supplied by a Party if such data or information (a) was already known to the receiving Party, (b) becomes part of the public domain without a breach of confidence by the receiving Party or any other Person, (c) was received by the receiving Party from a Third Party without restrictions on such Third Party's use in favor of the disclosing Party, or (d) was required to be disclosed pursuant to any statutory or regulatory provision or court order (in which case only such portion of Confidential Information shall be disclosed as is required, and the provisions of this Article VII shall not apply for disclosure in accordance with the respective statutory or regulatory provision or court order only), *provided* that the receiving Party shall have the burden of establishing any of the foregoing exceptions.

ARTICLE VIII
Representations, Warranties and Liabilities

Section 8.1 By Insulet. Insulet represents and warrants to Distributor that (i) Insulet has the full right and authority to enter into this Agreement and grant the rights granted herein; (ii) Insulet has not previously granted and will not grant any right in conflict with any of the rights granted herein; and (iii) to Insulet's knowledge on the Effective Date, there is no existing or threatened action, suit or claim pending against it with respect to its right to enter into and perform any of its obligations under this Agreement.

(a) Insulet represents and warrants to Distributor that all applicable Laws and the scientific and technical state of the art are observed and fulfilled.

(b) Insulet represents and warrants to Distributor that no Products delivered are encumbered in any form by Third Party rights (pledge, ownership, co-ownership, joint ownership and the like).

(c) Insulet represents and warrants to Distributor that the Products, the manufacture of Products and all documentation related to the manufacture and the Products will conform to any regulatory requirements in the countries of the Territory listed in Section II of Exhibit II.

(d) Insulet represents and warrants to Distributor that to the best of Insulet's knowledge no intellectual property rights of Third Parties bar the use of the Products in the Territory as contemplated by this Agreement.

Section 8.2 By Distributor. Distributor represents and warrants to Insulet that (i) Distributor has the full right and authority to enter into this Agreement and grant the rights granted herein; (ii) Distributor has not previously granted and will not grant any right in conflict with any of the rights granted herein; and (iii) to Distributor's knowledge on the Effective Date, there is no existing or threatened action, suit or claim pending against it with respect to its right to enter into and perform its obligations under this Agreement.

Section 8.3 Product Warranty and Remedies.

(a) Subject to Section 8.3(b), Insulet hereby (i) warrants that [***]; (ii) warrants that [***]; and (iii) undertakes to use commercially reasonable efforts to deliver [***].

(b) Distributor shall maintain inventory of Products on a first in, first out (FIFO) basis. For Products with expiration date, Distributor shall distribute such Products by lowest expiration date first.

(c) Subject to Section 4.9, the obligation of Insulet under the warranties set forth in this Section 8.3 is limited to [***]. The foregoing notwithstanding, Insulet shall not be responsible for damage to any Product resulting from misuse, negligence or accident, or resulting from repairs or alterations made by any Person not duly authorized by Insulet in writing.

Section 8.4 No Implied Warranties. THE EXPRESS REPRESENTATIONS AND WARRANTIES GIVEN IN THIS AGREEMENT ARE THE ONLY REPRESENTATIONS OR WARRANTIES GIVEN BY INSULET WITH RESPECT TO THE PRODUCTS AND ARE GIVEN IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THOSE OF NONINFRINGEMENT, TITLE, MERCHANTABILITY, COURSE OF DEALING, USAGE OF TRADE, AND FITNESS FOR A PARTICULAR PURPOSE. DISTRIBUTOR'S EXCLUSIVE REMEDIES AND INSULET'S SOLE LIABILITY FOR ANY NONCONFORMITY OR DEFECT IN ANY PRODUCT SHALL BE THOSE EXPRESSED IN THIS AGREEMENT.

Section 8.5 Limitation of Liability. An essential purpose of the limited exclusive liabilities and remedies in this Agreement is allocation of risk between Insulet and Distributor, which allocation of risks is reflected in the purchase price for the Products. EXCEPT FOR INSULET'S INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTION 9 AND/OR INSULET'S LIABILITY ARISING OUT OF TERMINATION OF THIS AGREEMENT BY DISTRIBUTOR PURSUANT TO SECTION 10.2, OR AS A RESULT OF A BREACH OF SECTION 7, UNDER NO CIRCUMSTANCES SHALL INSULET'S LIABILITY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR INSULET'S PERFORMANCE OR ASSERTED FAILURE TO PERFORM HEREUNDER, IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED [***]. EXCEPT FOR LIABILITY ARISING AS A RESULT OF A PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTION 9 OR AS A RESULT OF A BREACH OF SECTIONS 6.1 AND/OR 7, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL, INCIDENTAL, PUNITIVE, CONSEQUENTIAL, TORT OR ANALOGOUS DAMAGES, INCLUDING DAMAGES RESULTING FROM LOSS OF USE, PROFITS, REVENUES, BUSINESS OR GOODWILL, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY THEREOF.

ARTICLE IX
Indemnification

Section 9.1 Insulet Indemnity.

(a) Insulet will indemnify, defend, and hold harmless Distributor, and each of its officers, directors, agents, employees, representatives, successors, and assigns (collectively, "*Distributor Indemnitees*"), from and against any and all liabilities, losses, damages, and expenses , including without limitation reasonable attorney's fees and expenses (the "*Losses*") relating to any demand, claim, suit or proceeding brought by a Third Party to the extent arising from or occurring as a result of: (i) Insulet's material breach of this Agreement, (ii) any negligent or willful act or omission by or on behalf of Insulet, (iii) violation of any applicable Law by Insulet, (iv) the actual or alleged infringement of a claim of a patent or the actual or alleged infringement or misappropriation of a Third Party Intellectual Property Right by the Products, (v) physical injury (including death) and/or property damage actually or allegedly caused by the Products, or (vi) any other representation, act or omission by or on behalf of Insulet, including Insulet's performance of or failure to perform any term or condition of this Agreement. Insulet shall not be liable for any Losses resulting from the negligent or willful misconduct of any Distributor Indemnitee.

(b) Distributor Indemnity. Insulet shall not be liable for any Losses to the extent incurred by Distributor or any other person or entity, and Distributor shall indemnify, defend, and hold harmless Insulet and its Affiliates and their officers, directors, agents, employees, representatives, successors, and assigns (collectively, "*Insulet Indemnitees*") from and against any and all Losses relating to any demand, claim, suit or proceeding brought by a Third Party to the extent arising from or occurring as a result of (i) Distributor's material breach of this Agreement, (ii) any negligent or willful act or omission by or on behalf of Distributor; (iii) violation of any applicable Law by Distributor, (iv) the use of any Product or part thereof furnished in combination with products, software or data not supplied by Insulet, (v) any modification made to the Products without Insulet's prior written consent, (vi) any termination or expiration of any Sub-Distributor (to the extent not attributable to any direct relationship, including any relationship preceding this Agreement, entered into between Insulet and such Sub-Distributor independently from this Agreement), or (vii) any other representation, act or omission by or on behalf of Distributor, including Distributor's performance of or failure to perform any term or condition of this Agreement. Distributor shall not be liable for any Losses resulting from the negligent or willful misconduct of any Insulet Indemnitee.

Section 9.2 Indemnification Procedure.

(a) A Party that intends to claim indemnification under this Section 9 shall promptly notify the indemnifying Party of any such claims in respect of which such Party intends to claim such indemnification, and if applicable such indemnifying Party shall assume the defense thereof with counsel mutually satisfactory to the Parties; *provided* that such Party shall have the right to retain its own counsel and, in case compensation for fees and expenses are not otherwise awarded, compensation for such reasonable costs shall be paid by such indemnifying Party *provided* such indemnifying Party is responsible for the defense thereof, if representation of such Party by the counsel retained by such indemnifying Party would be inappropriate due to actual or potential conflicting interests between such Party and any other Party represented by such counsel. The indemnification provided for by this Section 9 shall not apply to amounts paid in settlement of any such claim if such settlement is effected without the consent of the indemnifying Party, which consent shall not be unreasonably withheld. The failure to deliver notice to the indemnifying Party within a reasonable time after the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve the indemnifying Party of any liability to the other Party under this Section 9.3 to the extent so prejudiced, but the omission so to deliver notice to such indemnifying Party shall not otherwise relieve it of any liability that it may have to such other Party. The indemnified Party shall cooperate fully with the other Party in the investigation of any such claim covered by this indemnification.

(b) If Distributor receives a demand, claim, suit or proceeding subject to Insulet indemnification under Section 9.1(a)(iv), Distributor shall notify Insulet promptly in writing and give Insulet information, assistance and exclusive authority to evaluate, defend and settle such claim. Insulet shall then at its own expense and option, (i) settle the claim (which settlement shall include for Distributor the right to sell and use the Products pursuant to this Agreement); (ii) procure for Distributor the right to sell and use the Product pursuant to this Agreement; (iii) replace or modify the Product to avoid infringement; (iv) defend against such claim; or (v) remove the Product and indemnify and hold harmless Distributor. Should any court of competent jurisdiction hold in a final decision that the sale, manufacture, or use of such Product constitutes infringement, Insulet shall pay any costs and damages finally awarded against Distributor on the account of such infringement, and if the use of such Product is enjoined, Insulet shall take one more of the actions under clauses (ii), (iii) or (v) above. Insulet reserves the right, at its sole option, to notify Distributor in writing that as a result of a claim, suit or proceeding or threat of same in any given country, Distributor may not market or sell the Products in such country, effective as of such written notice, subject to full

threat of sale in any given country, Distributor may not market or sell the Products in such country, effective as of such written notice, subject to full indemnification of Distributor. The foregoing states the entire and complete liability of Insulet for any patent infringement or claimed infringement by reason of the sale, manufacture or use of the Products or any part thereof. This Section 9.3(b) shall also apply in the event Insulet receives a claim, suit or proceeding relating to an actual or alleged infringement of a claim of a patent or an actual or alleged infringement or misappropriation of a Third Party Intellectual Property Right by the Products.

ARTICLE X
Term and Termination

Section 10.1 Term and Renewal.

(a) The initial term of this Agreement shall be for a period of 5 years [***] unless earlier terminated under the provisions of this Agreement (the "*Term*").

(b) Fifteen months prior to the end of the Term, the Parties shall negotiate in good faith to enter into an amendment of this Agreement to include a renewal term for this Agreement.

Section 10.2 Termination for Cause. This Agreement may be terminated by Insulet or Distributor in the event of any of the following:

(a) immediately upon written notice to the other, if the other Party becomes insolvent or seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition or comparable proceeding, or if any such proceeding is instituted against the other Party which proceeding remains undismissed for a period of 30 days; or

(b) in the event that the other Party fails to perform or otherwise materially breaches any of its obligations hereunder, and does not cure such failure or breach within 60 days of receipt of written notice from the non-breaching Party of such failure or breach. In no event, however, shall such notice of intention to terminate be deemed to waive any rights to damages or any other remedy which the Party giving notice of breach may have as a consequence of such failure or breach.

For clarity, the date of any notice of termination for cause under this Section 10.2 shall also be [***]

Notwithstanding the foregoing, Insulet shall have the right, in its sole discretion to in lieu of terminating the Agreement in full pursuant to Section 10.2, to [***] Minimums [***] Minimums [***]

If Insulet terminates this Agreement pursuant to this Section 10.2 due to Distributor's breach of Section 2.6 hereof, Insulet shall have, the right to [***] For clarification [***]

Section 10.3 Termination for [***].

(a) Insulet may terminate this Agreement upon [***] written notice if [***], *provided*, that [***] and *provided further*, that [***].

(b) Insulet may terminate this Agreement upon [***] written notice if [***].

For clarity, the date of any notice of termination under this Section 10.3 shall also be [***]

Notwithstanding the foregoing in this Section 10.3, [***]

Section 10.4 Termination for Patent Challenge. If Distributor directly or indirectly initiates any challenges of Insulet's patent rights, [***] and [***]

Section 10.5 Termination or Expiration Fee.

(a) In the event of any termination of this Agreement by Insulet or Distributor or upon the expiration of this Agreement, [***]:

[***]

[***]

(b) In the event of termination of this Agreement by Insulet or Distributor with regard to a Product in any individual country(ies), [***]

[***]

[***]

The Parties agree that [***] In the event that [***]

ARTICLE XI
Rights and Obligations upon Termination

Section 11.1 Cessation of Rights. Upon expiration, non-renewal or termination (collectively, "*Termination*") of this Agreement for any reason whatsoever, no Party and none of its directors, officers, stockholders or Affiliates shall have any further liability or obligation to the other Party under this Agreement, except with respect to Sections 2.5(m), 3.1(d), 4.6, 4.7, 4.9, 4.10, 4.11, 4.12, 5.2, 5.3, 6.2, 6.6, 8.3, 8.4, 8.5, 10.2, 10.4 and 10.5, Articles 7, 9, 11 and 12 and the definitions in Exhibit I (which shall survive Termination of this Agreement), except that nothing in this Section 11.1 shall prejudice any rights, claims, or causes of action that may have accrued hereunder or with respect hereto prior to the date of such Termination, including for breach of this Agreement (whether based upon the Termination or otherwise).

Section 11.2 No Penalties; Survival. Without prejudice to any rights or right of action which may have accrued during the Term, and subject to Sections 10.2, 10.4 and 10.5, neither Party shall be entitled to any compensation or other penalty arising out of Termination, *provided* this Agreement has expired or been terminated in accordance with its terms. Any claim, the cause of which has arisen during the Term of this Agreement, and which is not submitted and properly substantiated [***] shall be deemed waived and shall be conclusively barred from assertion by the claimant unless the delay in submission or substantiation is due to circumstances beyond the claimant's control.

Section 11.3 Return of Products and Information. Upon Termination of this Agreement, Distributor shall promptly and [***] return to Insulet or a Third Party designated by Insulet, all Products samples, Confidential Information and all other information supplied by Insulet; *provided* that [***]; and *provided further*, that Distributor may maintain a copy of Insulet's Confidential Information for as long as reasonably necessary to comply with applicable Laws. Upon Termination of this Agreement, [***]

Section 11.4 Obligations of Distributor upon Termination. Upon Termination of this Agreement and subject to Section 11.3, Distributor shall immediately cease any and all use of the Product Registrations and transfer to Insulet or its designee any Product Registration not already in the name of Insulet or an Affiliate of Insulet with any rights thereto that Distributor may then hold. To the extent not already owned by Insulet, Distributor shall use commercially reasonable efforts to transfer such Product Registration and rights without interruption or disruption to the distribution, marketing or sales of the Products in the Territory.

ARTICLE XII
General Provisions

Section 12.1 Notices All notices, requests, claims, demands, waivers and other communications under this Agreement shall be in writing and shall be by facsimile, courier services or personal delivery to the following addresses, or to such other addresses as shall be designated from time to time by a Party in accordance with this Section 12.1:

if to Distributor:

Ypsomed Distribution AG
Brunnmattstrasse 6
CH-3401 Burgdorf
Switzerland
Attention: General Counsel
Facsimile: ++41/ 34 424 41 55

with a copy (which shall not constitute notice) to:

Ypsomed Distribution AG
Brunnmattstrasse 6
CH-3401 Burgdorf
Switzerland
Attention: Product Manager Infusion Systems
Facsimile: ++41/ 34 424 32 92"

if to Insulet:

Insulet Corporation
9 Oak Park Drive
Bedford, MA 01730
Attention: General Counsel
Facsimile: 781-357-4281

with a copy (which shall not constitute notice) to:

Goodwin Procter LLP
Exchange Place
Boston, MA 02109
Attention: Ray Zemlin
Facsimile: 617-523-1231

Facsimile: 617-523-1231

All notices and communications under this Agreement shall be deemed to have been duly given (x) when delivered by hand, if personally delivered, (y) 1 Business Day after when delivered to a courier, if delivered by commercial one-day overnight courier service or (z) when sent, if sent by facsimile, with an acknowledgment of sending being produced by the sending facsimile machine.

Section 12.2 Definitions. For the purposes of this Agreement, the following terms have the following meanings:

"*Affiliate*" means, with respect to any Person, any other Person controlling, controlled by or under direct or indirect common control with such first Person. For purposes of this definition, a Person shall be deemed to control another Person if it owns or controls 50% or more of the voting equity of the other Person (or other comparable ownership if the Person is not a corporation), or otherwise possesses the power to direct the management or policies of the other Person, whether through ownership of voting securities or by contract or otherwise; *provided* that solely for purposes of this Agreement, no Party shall be deemed to be an "Affiliate" of any other Party (or any of its Affiliates).

"*Business Day*" means any day other than a Saturday or Sunday or a day on which banking institutions at the domicile of Insulet or Distributor are permitted or required by Law, executive order or decree of a Governmental Authority to remain closed.

"Business Plan" means a description of the plan for marketing the Products in one or more countries of the Territory (or proposed Territory) during the Term, including at least: (1) the projected minimum sales quantities per quarter during the Term; (2) the distribution route (direct or indirect), (3) the projected reimbursement for the Products, (4) and any other information reasonably necessary for the Parties to assess the commercialization of the Products in the specified portions of the Territory or proposed Territory.

"*Calendar Year"* means the period of 12 consecutive months starting on January 1, 2010, and each twelve (12) months period thereafter.

"*Calendar Quarter*" means the respective periods of 3 consecutive calendar months commencing on the first day of the first Calendar Year.

[***]

"*Competitor*" means [***]

"*Confidential Information*" means all data and information of a confidential or proprietary nature, including know-how and trade secrets relating to the business, the affairs and the products of a Party. Confidential Information may be communicated orally, in writing or in any other recorded or tangible form. Data and information shall be considered to be Confidential Information, (a) if a Party has advised the receiving Party of such confidential nature, or (b) if, due to such character or nature, a reasonable person in a like position and under like circumstances as the receiving Party would treat such as secret and confidential.

[***]

"*Customer*" means a Person an individual who (a) is resident in the Territory; and (b) has entered into an agreement (oral or written, including purchase orders) for the purchase of Products with Distributor.

"*Force Majeure*" has the meaning as set forth in Section 12.8.

"*Governmental Authority*" means any nation, state, province, county, city or political subdivision and any official, agency, arbitrator, authority, court, department, commission, board, bureau, instrumentality or other governmental entity of any thereof, whether domestic or foreign.

"*Intellectual Property Rights*" means, collectively, all rights in, to and under patents, trade secret rights, copyrights, mask works, trademarks, service marks, trade dress and similar rights of any type under the laws of any Governmental Authority, including, without limitation, all applications and registrations relating to the foregoing, which either Party may at any time own, control, license, adopt, use or register with respect to the Products.

"*Laws*" shall mean any law, statute, rule, regulation, guideline, ordinance or other pronouncement of any Governmental Authority having the effect of law or guidances of any Governmental Authority in the United States and in the countries of the Territory, or any province, county, city or other political sub-division thereof.

"*Person*" means and includes any individual, corporation, trust, estate, partnership, limited liability company, joint venture company, association, league, governmental bureau or agency, or any other entity regardless of the type or nature thereof.

"*Product Registrations*" means existing and future marketing and regulatory authorizations relating to the Products in the Territory including such authorizations relating to any and all existing and future uses for the Products, necessary for import, advertisement, marketing, distribution and sale of the Products.

"*Products*" means certain products as set forth in Exhibit I.

"*Specifications*" shall mean the specifications for the Products that are included in the User Manual for such Products.

"*Sub-Distributor*" means any Third Party or any Affiliate of Distributor that has entered into a written agreement with Distributor for the

distribution of Products anywhere in the Territory.

"*Third Party*" means any Person other than Insulet, Distributor or their respective Affiliates.

Section 12.3 Descriptive Headings; Certain Interpretations. The table of contents and headings contained in this Agreement are for reference purposes only and shall not control or affect the meaning or construction of this Agreement. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement: (a) "or" is not exclusive and "include," "includes" and "including" are not limiting; (b) "hereof," "hereto," "hereby," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement; (c) "date hereof" refers to the date of this Agreement; (d) "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase does not mean simply "if"; (e) definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (f) references to an agreement or instrument mean such agreement or instrument as from time to time amended, modified or supplemented, and all exhibits, appendices, schedules or other attachments thereto; (g) references to a Person are also to its permitted successors and assigns; (h) references to an "Article," "Section," "Clause," "Exhibit" or "Schedule" refer to an Article, Section or Clause of, or an Exhibit or Schedule to, this Agreement; (i) words importing the masculine gender include the feminine or neuter and, in each case, vice versa; (j) references to a Law include any amendment or modification to such Law and any rules or regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules or regulations occurs, before or after the date of this Agreement; and (k) references to monetary amounts shall be denominated in United States Dollars.

Section 12.4 Waivers. The waiver by either Party of a breach or default in any of the provisions of this Agreement by the other Party shall not be construed as a waiver of any succeeding breach of the same of either Party to exercise or avail itself of any right, power or privilege that it has or may have hereunder nor operates as a waiver of any breach or default by the other Party.

Section 12.5 Entire Agreement and Amendments. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements between the Parties, whether written or oral, relating to the same subject matter. No modification, amendment or supplements to this Agreement shall be effective for any purpose unless in writing, signed by each Party. Approvals or consents hereunder of a Party shall also be in writing.

Section 12.6 Severability. In the event that any provision herein shall be determined to be void or unenforceable in whole or in part for any reason whatsoever, such unenforceability or invalidity shall not affect the enforceability or validity of the remaining provisions or part thereof contained in this Agreement and such void or unenforceable provisions shall be deemed to be severable from any other provisions or part thereof herein contained. In the event that any of the provisions herein contained are held to be unreasonable by reason of the duration or type or scope of services covered by the said provision then the said provision shall be given effect only to the extent as may be enforceable or deemed enforceable by any court of competent jurisdiction.

Section 12.7 Assignments. Neither Party shall transfer or assign the Agreement or delegate the performance of its obligations hereunder without the express written consent of the other Party. Notwithstanding the foregoing, either Party may assign this Agreement (a) to any of its Affiliates; or (b) to any Third Party in connection with the sale or transfer, by merger, reorganization, consolidation or otherwise, of all or substantially all of the Party's business or assets to which this Agreement relates. This Agreement and the provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 12.8 Force Majeure.

(a) Neither Party shall be liable to the other Party for any delay or omission in the performance of any obligation hereunder, where the delay or omission is due to any cause or conditions beyond the reasonable control of the Party obligated to perform, including strike or other labor difficulties, acts of God, acts of government, war (declared or undeclared), acts of terrorism, fire, epidemic of disease, riots, civil commotion, embargoes, government requisition or impoundment or other acts of any Governmental Authority or inability to obtain supplies ("*Force Majeure*"). For clarification, failure to obtain or Maintain a Product Registration shall not be considered a Force Majeure event. If Force Majeure prevents or delays the performance by a Party of any obligation under this Agreement, then the Party claiming Force Majeure shall notify the other Party thereof in writing within 15 days of the occurrence of such Force Majeure.

(b) If the performance of this Agreement shall be prevented for a period exceeding six months from the date of notice given pursuant to Section 12.8(a) due to an event of Force Majeure, the Party receiving notice of an event of Force Majeure shall be entitled to immediately terminate all obligations regarding the supply, purchase or distribution of Products for the affected period by giving written notice to the other. Distributor, if it is the Party receiving notice of an event of Force Majeure, (instead of exercising its rights in the preceding sentence) may elect to extend the Term of this Agreement for one additional year. As regards the supply of Product for the remainder of the Term, absent termination by the Party receiving notice of an event of Force Majeure, this Agreement shall continue in full force and effect in accordance with its terms.

Section 12.9 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and their permitted successors and assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the Parties hereto and such successors and assigns, any legal or equitable rights or remedies.

Section 12.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 12.11 Further Assurance. Each Party undertakes, at the request and cost and expense of the other Party, to sign all documents and to do all other acts, which may be necessary to give full effect to this Agreement.

Section 12.12 Governing Law. This Agreement shall be governed by, and construed in accordance with, the substantive Laws of Switzerland, excluding its conflicts of laws principles. The UN Convention on Contracts for the International Sale of Goods is not applicable to this Agreement nor to purchase orders and deliveries based hereon. General terms of sale of Insulet and general order terms or purchase terms of Distributor are not applicable to this Agreement nor to Orders based hereon

Section 12.13 Governing Language. The official text of this Agreement shall be the English language, and any interpretation or construction of this Agreement shall be based thereon. If this Agreement or any documents or notices relating to it are translated into another language the English version shall be controlling in the event of discrepancy between the two.

Section 12.14 Arbitration.

(a) In the event of a dispute between the Parties, the Parties shall first attempt in good faith to resolve such dispute by negotiation and consultation between themselves. In the event that such dispute is not resolved on an informal basis within 30 days for attempted resolution by good faith negotiations within 30 days after such notice is received.

(b) All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules. Such arbitration shall take place in Zurich, Switzerland. The language of the arbitration shall be English. The arbitration award so given shall be a final and binding determination of the dispute and shall not include any damages expressly prohibited by Section 8.5. Except in a proceeding to enforce the results of the arbitration or as otherwise required by Law, neither Party nor any arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of both Parties.

(c) Notwithstanding the foregoing dispute resolution procedure, in the event of an actual or threatened breach hereunder, the aggrieved Party may seek equitable relief (including restraining orders, specific performance or other injunctive relief) without submitting to such dispute resolution procedure if there is a reasonable likelihood of the occurrence of irreparable harm during the period of the dispute resolution procedure.

Section 12.15 Press Releases.

(a) Subject to Section 12.15(b), press releases or other similar public communications by a Party relating to this Agreement shall be subject to a right of reasonable prior review and approval by the other Party, which approval shall not be unreasonably withheld or delayed, *provided* that such right of approval shall not apply to communications required by applicable Law, disclosures of information for which consent has previously been obtained, or information that has been previously disclosed publicly, and *provided, further*, that any draft press release or other public communication submitted to a Party for its approval shall be deemed approved if such Party fails to notify the submitting Party within [***] as to whether or not it has been approved.

(b) Distributor understands and agrees that Insulet may submit a copy of this Agreement to the United States Securities and Exchange Commission.

[Signature Page Follows]

The Parties have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

Insulet Corporation

By: /s/ Duane DeSisto
Name: Duane DeSisto
Title: Chief Executive Officer

Ypsomed Distribution AG

By: /s/ Richard Fritschi
Name: Richard Fritschi
Title: Chief Executive Officer

By: /s/ Simon Michel
Name: Simon Michel
Title: Senior Vice President Marketing & Sales

[Signature Page to Distribution Agreement]

Exhibit I

Products

1. Insulet's OmniPod System, an insulin delivery system designed and manufactured by Insulet and, pursuant to this Agreement, supplied to and distributed by Distributor, each OmniPod System comprising a PDM (as defined hereafter) and PODs (as defined hereafter). The term "Product(s)" includes improvements, enhancements, new versions of and accessories to the Products. Insulet shall use reasonable commercial efforts to make any improved, enhanced or new versions of Products available to Distributor for distribution in the Territory. The OmniPod System includes:

    a. Personal Diabetes Manager or PDM, the handheld portion of the OmniPod System, containing the user interface for controlling the POD portion of the OmniPod System, optionally including an integrated blood glucose meter.

    b. POD, the wearable, disposable insulin pump portion of the OmniPod System (including filling system), controlled by the PDM.

2. "YM OmniPod System" means a version of the OmniPod System, designed and manufactured by Insulet and, pursuant to this Agreement, supplied to and distributed by Distributor, each YM OmniPod System comprising a YM PDM (as defined hereafter) and YM PODs (as defined hereafter). Insulet shall use reasonable commercial efforts to make the YM OmniPod System ready for supply to Distributor and ready for distribution in the Territory by the dates set forth in Exhibit II.

    "YM *PDM*" means versions of Insulet's PDM adapted and labeled for sale in the countries of the Territory listed in Section II of Exhibit II.

    "YM *POD*" " means versions of Insulet's POD adapted and labeled for sale in the countries of the Territory listed in Section I of Exhibit II.

    "YM Integrated BGM" means a blood glucose meter that uses blood glucose strips manufactured by [***] and is integrated into the YM PDM.

The terms "PDM" and "POD" include the terms "YM PDM" and "YM POD" where appropriate.

Exhibit II

Territory

I. TERRITORY

Those countries listed below in Section II of this Exhibit II.

II. LIST OF COUNTRIES

The following countries shall be ready for distribution of Products by Distributor on the dates specified below, i.e. Insulet shall have obtained and maintain Product Registrations in these countries and shall have the country specific version of Products ready for supply and ready for distribution by Distributor as of the date specified below.

- Germany: [***] 2010
- Netherlands: [***] 2010
- France: [***] 2010
- Australia: [***] 2010
- Belgium: [***] 2010
- China: [***] 2011
- UK: [***] 2010
- Norway: [***] 2010
- Sweden: [***] 2010
- Finland: [***] 2010
- Switzerland: [***] 2010

III. INCLUSION OF ADDITIONAL COUNTRIES FOR DISTRIBUTION

1. At any time during the term, Distributor may request Insulet in writing to add further countries to the list of countries in the Territory in Section II of Exhibit II. Distributor shall present a Business Plan for the distribution of the Products in each such additional country(ies). Insulet and Distributor shall negotiate in good faith to enter into an amendment of this Exhibit II relating to the addition of each such country(ies) to the Territory and [***] Minimums [***] If the Parties agree to add any such country(ies) to the list of countries in the Territory in Section II of Exhibit II, the Parties shall [***]

IV. [***]

1. [***]

2. [***]

V. COUNTRIES EXCLUDED FROM THE TERRITORY

1. The Parties agree the countries listed below shall not be part of the Territory and Distributor waives its right to (a) add such countries to the Territory under Section III of this Exhibit II, and (b) negotiate and have a right of first refusal with respect to such countries under Section IV of this Exhibit II.

- USA
- Israel
- Canada

Exhibit III

[***] Minimums And Pricing

I. [***] MINIMUMS AND PRICING

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

[***]

[***]

[***] [***]

II. [***]

[***]

III. [***]

[***]

[***]

[***]

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

EXHIBIT IV

[***]

[***]

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

EXHIBIT V

Business Plans

Exhibit 10.2

INSULET CORPORATION

AMENDED AND RESTATED

2007 EMPLOYEE STOCK PURCHASE PLAN

The purpose of the Insulet Corporation 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 as of the first day of the applicable Offering (the "Offering Date") they are customarily employed by the Company or a Designated Subsidiary for more than 20 hours a week and have completed at least six concurrent months of employment immediately prior to the Offering Date. 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.

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

APPENDIX A

Designated Subsidiaries

SubQ Solutions, Inc.

Exhibit 31.1

CERTIFICATION

I, Duane DeSisto, 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/ Duane DeSisto
Duane DeSisto
President and Chief Executive Officer

May 7, 2010

Exhibit 31.2

CERTIFICATION

I, Brian Roberts, 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 filing) 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 function):

(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/ Brian Roberts
Brian Roberts
Chief Financial Officer

May 7, 2010

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, 2010, as filed with the Securities and Exchange Commission (the "Report") that, to his 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/ Duane DeSisto
Name: Duane DeSisto
Title: President and Chief Executive Officer
Date: May 7, 2010

/s/ Brian Roberts
Name: Brian Roberts
Title: Chief Financial Officer
Date: May 7, 2010