

**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, 2017

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
(State or Other Jurisdiction of
Incorporation or Organization)

04-3523891
(I.R.S. Employer
Identification No.)

600 Technology Park Drive, Suite 200
Billerica, Massachusetts
(Address of Principal Executive Offices)

01821
(Zip Code)

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

[Table of Contents](#)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of April 27, 2017, the registrant had 57,916,580 shares of common stock outstanding.

INSULET CORPORATION
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED
March 31, 2017
Table Of Contents

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements	4
Consolidated Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016	4
Consolidated Statements of Operations for the three months ended March 31, 2017 and 2016 (Unaudited)	5
Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2017 and 2016 (Unaudited)	6
Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016 (Unaudited)	7
Condensed Notes to Consolidated Financial Statements (Unaudited)	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	34
Item 4. Controls and Procedures	34

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	34
Item 1A. Risk Factors	34
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3. Defaults Upon Senior Securities	35
Item 4. Mine Safety Disclosures	35
Item 5. Other Information	35
Item 6. Exhibits	36
Signatures	37

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

**INSULET CORPORATION
CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)	March 31, 2017	December 31, 2016
ASSETS	(Unaudited)	
Current Assets		
Cash and cash equivalents	\$ 76,038	\$ 137,174
Short-term investments	177,990	161,396
Accounts receivable, net	40,648	28,803
Inventories, net	34,333	35,514
Prepaid expenses and other current assets	8,159	7,073
Total current assets	337,168	369,960
Property and equipment, net	65,279	44,753
Other intangible assets, net	2,208	2,041
Goodwill	39,697	39,677
Other assets	605	216
Total assets	\$ 444,957	\$ 456,647
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 6,413	\$ 13,160
Accrued expenses and other current liabilities	31,839	41,228
Deferred revenue	1,127	1,309
Total current liabilities	39,379	55,697
Long-term debt, net of discount	336,762	332,768
Other long-term liabilities	5,231	5,032
Total liabilities	381,372	393,497
Commitments and contingencies (Note 12)		
Stockholders' Equity		
Preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares at March 31, 2017 and December 31, 2016.		
Issued and outstanding: zero shares at March 31, 2017 and December 31, 2016.	—	—
Common stock, \$.001 par value:		
Authorized: 100,000,000 shares at March 31, 2017 and December 31, 2016.		
Issued and outstanding: 57,912,745 and 57,457,967 shares at March 31, 2017 and December 31, 2016, respectively.	58	57
Additional paid-in capital	754,585	744,243
Accumulated other comprehensive loss	(657)	(726)
Accumulated deficit	(690,401)	(680,424)
Total stockholders' equity	63,585	63,150
Total liabilities and stockholders' equity	\$ 444,957	\$ 456,647

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands, except per share data)	Three Months Ended March 31,	
	2017	2016
Revenue	\$ 101,713	\$ 81,213
Cost of revenue	42,315	37,162
Gross profit	59,398	44,051
Operating expenses:		
Research and development	17,500	12,989
Sales and marketing	28,095	24,022
General and administrative	19,111	14,739
Total operating expenses	64,706	51,750
Operating loss	(5,308)	(7,699)
Interest expense	5,007	3,096
Other income (expense), net	434	170
Interest expense, net	4,573	2,926
Loss from continuing operations before income taxes	(9,881)	(10,625)
Income tax expense	96	64
Net loss from continuing operations	(9,977)	(10,689)
Loss from discontinued operations, net of tax (\$0 and \$408 for the three months ended March 31, 2017 and 2016, respectively)	—	(1,792)
Net loss	\$ (9,977)	\$ (12,481)
Net loss per share basic and diluted:		
Net loss from continuing operations per share	\$ (0.17)	\$ (0.19)
Net loss from discontinued operations per share	\$ —	\$ (0.03)
Weighted-average number of shares used in calculating net loss per share	57,694	57,030

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

(in thousands)	Three Months Ended March 31,	
	2017	2016
Net loss	\$ (9,977)	\$ (12,481)
Other comprehensive income, net of tax		
Foreign currency translation adjustment, net of tax	79	400
Unrealized loss on available-for-sale securities, net of tax	(10)	—
Total other comprehensive income, net of tax	69	400
Total comprehensive loss	\$ (9,908)	\$ (12,081)

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

INSULET CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities		
Net loss	\$ (9,977)	\$ (12,481)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,323	3,422
Non-cash interest and other expense	3,994	1,984
Stock-based compensation expense	7,124	5,271
Provision for bad debts	295	655
Other	—	139
Changes in operating assets and liabilities:		
Accounts receivable	(12,146)	2,306
Inventories	1,175	(2,649)
Prepaid expenses and other assets	(1,421)	(462)
Accounts payable, accrued expenses and other current liabilities	(14,226)	(8,776)
Deferred revenue	(87)	(882)
Other long-term liabilities	111	956
Net cash used in operating activities ⁽¹⁾	(21,835)	(10,517)
Cash flows from investing activities		
Purchases of property, equipment and software ⁽²⁾	(25,679)	(3,160)
Purchases of short-term investments	(41,347)	—
Receipts from the maturity or sale of short-term investments	24,740	—
Proceeds from divestiture of business, net	—	4,614
Net cash (used in) provided by investing activities	(42,286)	1,454
Cash flows from financing activities		
Principal payments of capital lease obligations	(269)	(1,340)
Proceeds from exercise of stock options	6,335	796
Payment of withholding taxes in connection with vesting of restricted stock units	(3,139)	(1,640)
Net cash provided by (used in) financing activities	2,927	(2,184)
Effect of exchange rate changes on cash	58	210
Net decrease in cash and cash equivalents	(61,136)	(11,037)
Cash and cash equivalents, beginning of period	137,174	122,672
Cash and cash equivalents, end of period	\$ 76,038	\$ 111,635

⁽¹⁾ Includes 2016 activity related to discontinued operations. See note 3 to the consolidated financial statements for discussion of discontinued operations.

⁽²⁾ Cash outflows from purchases of property, equipment and software for the three months ended March 31, 2017 includes \$1.7 million of purchases made in prior periods that were previously included in accounts payable.

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

INSULET CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Nature of the Business

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

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

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles ("U.S. GAAP" or "GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2017, 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, 2016.

Reclassification of Prior Period Balances

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation including reclassifying internal-use capitalized software from property and equipment to other intangible assets for the year ended December 31, 2016 upon adoption of ASU 2016-19, *Technical Corrections and Improvements*.

Use of Estimates in Preparation of Financial Statements

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

[Table of Contents](#)

inventories, goodwill, deferred revenue, equity instruments, convertible debt, the lives of property and equipment and intangible assets, as well as warranty and doubtful accounts allowance reserve calculations. Actual results may differ from those estimates.

Foreign Currency Translation

For foreign operations, asset and liability accounts are translated at exchange rates as of the balance sheet date; income and expenses are translated using weighted average exchange rates for the reporting period. Resulting translation adjustments are reported in accumulated other comprehensive loss, a separate component of stockholders' equity. Gains and losses arising from transactions and revaluation of period-end balances denominated in currencies other than the local entity's functional currency are included in other income (expense), net, and were not material in the three months ended March 31, 2017 and 2016. Exposure to gains and losses from such transactions and revaluations are primarily related to Canadian dollar exchange rate fluctuations.

Principles of Consolidation

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

Cash and Cash Equivalents

For the purpose of the financial statement classification, the Company considers all highly-liquid investment instruments with original maturities of 90 days or less, when purchased, to be cash equivalents. Cash equivalents include money market mutual funds, corporate bonds, and certificates of deposit which are carried at cost which approximates their fair value. Included in the Company's cash and cash equivalents are amounts set aside for collateral on outstanding letters of credit, related to security deposits for lease obligations, totaling \$1.2 million as of March 31, 2017 and December 31, 2016.

Short-term Investments

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

The Company reviews investments for other-than-temporary impairment when the fair value of an investment is less than its amortized cost. If an available-for-sale security is other than temporarily impaired, the loss is charged to earnings.

Property and Equipment

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

Property and equipment included \$42.0 million and \$39.0 million of accumulated depreciation as of March 31, 2017 and December 31, 2016, respectively.

Business Combinations

The Company recognizes the assets and liabilities assumed in business combinations on the basis of their fair values at the date of acquisition. The Company assesses the fair value of assets, including intangible assets, using a variety of methods and each asset is measured at fair value from the perspective of a market participant. The method used to estimate the fair values of intangible assets incorporates significant assumptions regarding the estimates a market participant would make in order to evaluate an asset, including a market participant's use of the asset and the appropriate discount rates for a market participant. Assets recorded from the perspective of a market participant that are determined to not have economic use for the Company are expensed immediately. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. Transaction costs and restructuring costs associated with a business combination are expensed as incurred.

Segment Reporting

[Table of Contents](#)

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

Goodwill

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

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

As the Company operates in one segment, the Company has considered whether that segment contains multiple reporting units. The Company has concluded that there is a single reporting unit as the Company does not have segment managers and discrete financial information below consolidated results is not reviewed on a regular basis. Based on this conclusion, goodwill is tested for impairment at the enterprise level. The Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of its sole reporting unit is less than its carrying amount. This qualitative analysis is used as a basis for determining whether it is necessary to perform the two-step goodwill impairment analysis. If the Company determines that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step compares the carrying value of the reporting unit to its fair value using a discounted cash flow analysis. If the reporting unit's carrying value exceeds its fair value, the Company would record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. There was no impairment of goodwill during the three months ended March 31, 2017 and 2016.

Revenue Recognition

The Company generates the majority of its revenue from sales of its Omnipod System to customers and third-party distributors who resell the products to patients with diabetes, and to a lesser extent from product sales to pharmaceutical companies who use the Company's technology as a delivery method for their pharmaceuticals.

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

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

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

[Table of Contents](#)

As of March 31, 2017 and December 31, 2016, the Company had deferred revenue of \$1.8 million and \$1.9 million, respectively, which included \$0.7 million and \$0.6 million classified in other long-term liabilities as of March 31, 2017 and December 31, 2016, respectively. Deferred revenue primarily relates to undelivered elements within certain of the Company's developmental arrangements and other instances where the Company has not yet met the revenue recognition criteria.

Collaborative Arrangements

The Company enters into collaborative arrangements for ongoing initiatives to develop products. Although the Company does not consider any individual alliance to be material, certain of the more notable alliances are described below.

Eli Lilly and Company and Concentrated Insulins: In May 2013 and January 2016, the Company entered into agreements with Eli Lilly and Company to develop new versions of the Omnipod tubeless insulin delivery system specifically designed to deliver a concentrated form of insulin used by higher insulin-requiring patients with diabetes. Under the terms of these arrangements, the parties share the responsibility of the permissible costs that are incurred. Consideration received and payments made by the Company under the terms of the arrangements are recorded within research and development expense.

Shipping and Handling Costs

The Company does not typically charge its customers for shipping and handling costs associated with shipping its product to its customers unless non-standard shipping and handling services are requested. These shipping and handling costs are included in general and administrative expenses and were \$1.3 million and \$1.0 million for the three months ended March 31, 2017 and 2016, respectively.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash and cash equivalents, short-term investments and accounts receivable. The Company maintains the majority of its cash and short-term investments with one financial institution. Accounts are partially insured up to various amounts mandated by the Federal Deposit Insurance Corporation or by the foreign country where the account is held.

The Company purchases Omnipod Systems from Flex Ltd., its single source contract manufacturer. As of March 31, 2017 and December 31, 2016, liabilities to this vendor represented approximately 9% and 16% of the combined balance of accounts payable, accrued expenses and other current liabilities, respectively.

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

	Three Months Ended March 31,	
	2017	2016
Amgen, Inc.	15%	17%
Ypsomed Distribution AG	21%	15%
RGH Enterprises, Inc.	10%	10%

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Under this guidance, a company makes additional estimates regarding performance conditions and the allocation of variable consideration and must evaluate whether revenue derived from a contract should be recognized at a point in time or over time. The guidance is effective in fiscal years beginning January 1, 2018, with early adoption permitted. The Company plans to adopt the standard as of the required effective date. The Company is currently evaluating the impact of ASU 2014-09. As part of the Company's assessment work to-date, the Company has formed an implementation work team, completed training on the new ASU's revenue recognition model and is continuing its contract review and documentation, for which to date the Company has made significant progress. Over the course of 2017, the Company plans to finalize its evaluation and implement any required policy, process, and internal control changes required as a result of that evaluation. The new standard permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method).

[Table of Contents](#)

The Company has not yet selected a transition method nor has it determined the full effect of the standard on its consolidated financial position and results of operations. While the Company continues to assess all potential impacts of the new standard on its contracts, it currently understands that the treatment of contract acquisition and fulfillment costs will be affected as such costs are generally capitalized and amortized over the contract life under ASU 2014-09.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 amends existing guidance and requires entities to measure most inventory at the lower of cost and net realizable value. The guidance is effective prospectively for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. Upon adoption, entities must disclose the nature of and reason for the accounting change. The Company adopted ASU 2015-11 on January 1, 2017 and its adoption did not have an impact on the consolidated financial statements.

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-02.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted for all entities. The Company adopted ASU 2016-09 on January 1, 2017 and its adoption resulted in the Company increasing its deferred tax assets (tax effected) by approximately \$23.8 million, which is offset by a full valuation allowance. Overall, adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* ("ASU 2016-15"). ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-15 but does not expect it to be material to the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash (a consensus of the Emerging Issues Task Force)* ("ASU 2016-18"). ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-18 but does not expect it to be material to the consolidated financial statements.

In December 2016, the FASB issued ASU 2016-19, *Technical Corrections and Improvements* ("ASU 2016-19"). ASU 2016-19 includes numerous technical corrections and clarifications to GAAP that are designed to remove inconsistencies in the board's accounting guidance. Several provisions in this accounting guidance were effective immediately which did not have an impact on the Company's consolidated financial statements. Additional provisions in this accounting guidance are effective for the Company in annual financial reporting periods beginning after December 15, 2016 including the clarification that the license of internal-use software shall be accounted for as the acquisition of an intangible asset.

[Table of Contents](#)

The standard allows for prospective or retrospective adoption and the Company has elected retrospective adoption. As a result of adoption, the Company has reclassified \$1.5 million of internal-use software, which is net of accumulated depreciation of \$2.6 million from property and equipment to other intangible assets as of December 31, 2016.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment for all entities by eliminating the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The standard does not change the guidance on completing today's Step 1 of the goodwill impairment test. An entity will still be able to perform today's optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. The guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of ASU 2017-04 but does not expect it to be material to the consolidated financial statements.

Other Significant Policies:

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

Fair Value Measurements	Note	4	Page	14
Convertible Debt	Note	6	Page	17
Accounts Receivable and Allowance for Doubtful Accounts	Note	8	Page	19
Inventories	Note	9	Page	19
Other Intangible Assets	Note	10	Page	20
Accrued Expenses and Other Current Liabilities - Product Warranty Costs	Note	11	Page	21
Commitments and Contingencies	Note	12	Page	21
Equity- Stock-Based Compensation	Note	13	Page	23
Income Taxes	Note	14	Page	25

Note 3. Discontinued Operations

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

In connection with the 2016 disposition, the Company entered into a transition services agreement pursuant to which Insulet provided various services to Liberty Medical on an interim transitional basis. The services generally commenced on the closing date and terminated six months following the closing. Services provided by Insulet included certain information technology and back office support. The charges for such services were generally intended to allow the service provider to recover all out-of-pocket costs. Billings by Insulet under the transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the consolidated statements of operations. This transitional support provided Liberty Medical the time required to establish its stand-alone processes for such activities that were previously provided by Insulet as described above and does not constitute significant continuing support of Liberty Medical's operations. Total expenses incurred for such transition services, which were reimbursed in full, were \$0.3 million for the three months ended March 31, 2016. No expenses were incurred for such transition services for the three months ended March 31, 2017.

Following the disposition, the Company entered into a distribution agreement with the Neighborhood Diabetes subsidiary of Liberty Medical to continue to act as a distributor for the Company's products. Omnipod System sales transacted through Neighborhood Diabetes prior to the divestiture that were previously eliminated in consolidation was \$0.3 million for the three months ended March 31, 2016. This amount was historically reported in the Neighborhood Diabetes revenue results and is being presented based on current market terms of products sold to the Neighborhood Diabetes subsidiary of Liberty Medical.

[Table of Contents](#)

Post divestiture, Omnipod System sales to the Neighborhood Diabetes subsidiary of Liberty Medical were \$0.4 million for the three months ended March 31, 2016. There were no sales to the Neighborhood Diabetes subsidiary of Liberty Medical for the three months ended March 31, 2017.

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

(In thousands)	Three Months Ended March 31, 2016
Discontinued operations:	
Revenue ⁽¹⁾	\$ 7,730
Cost of revenue	5,369
Gross profit	2,361
Operating expenses:	
Sales and marketing	1,536
General and administrative ⁽²⁾	2,081
Total operating expenses	3,617
Operating loss	(1,256)
Interest and other income (expense), net	(128)
Loss from discontinued operations before taxes	(1,384)
Income tax expense	408
Net loss from discontinued operations	\$ (1,792)

(1) Revenue includes revenue from the operations of Neighborhood Diabetes through date of sale in February 2016.

(2) Includes \$1.3 million loss on sale of Neighborhood Diabetes.

There were no results from discontinued operations for Neighborhood Diabetes for the three months ended March 31, 2017.

Depreciation and amortization expense included in discontinued operations was \$0.1 million for the three months ended March 31, 2016. There was no depreciation and amortization expense included in discontinued operations for the three months ended March 31, 2017.

Net operating cash flows used in discontinued operations in the three months ended March 31, 2016 was \$2.0 million. There was no net operating cash flows used in discontinued operations in the three months ended March 31, 2017.

Note 4. Fair Value Measurements

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

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

[Table of Contents](#)

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

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

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

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

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

The following table provides a summary of assets that are measured at fair value as of March 31, 2017 and December 31, 2016, aggregated by the level in the fair value hierarchy within which those measurements fall:

(in thousands)	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
March 31, 2017				
Recurring fair value measurements:				
Cash equivalents:				
Money market mutual funds	\$ 63,445	\$ 63,445	\$ —	\$ —
Corporate bonds	3,833	—	3,833	—
Certificates of deposit	—	—	—	—
Total cash equivalents	\$ 67,278	\$ 63,445	\$ 3,833	\$ —
Short-term investments:				
U.S. government and agency bonds	\$ 99,752	\$ 67,414	\$ 32,338	\$ —
Corporate bonds	53,884	—	53,884	—
Certificates of deposit	24,354	—	24,354	—
Total short-term investments	\$ 177,990	\$ 67,414	\$ 110,576	\$ —
December 31, 2016				
Recurring fair value measurements:				
Cash equivalents:				
Money market mutual funds	\$ 93,467	\$ 93,467	\$ —	\$ —
Corporate bonds	4,203	—	4,203	—
Certificates of deposit	735	—	735	—
Total cash equivalents	\$ 98,405	\$ 93,467	\$ 4,938	\$ —
Short-term investments:				
U.S. government and agency bonds	\$ 79,093	\$ 49,963	\$ 29,130	\$ —
Corporate bonds	56,653	—	56,653	—
Certificates of deposit	25,650	—	25,650	—
Total short-term investments	\$ 161,396	\$ 49,963	\$ 111,433	\$ —

Debt

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

[Table of Contents](#)

The carrying amounts, net of unamortized discounts and issuance costs, and the estimated fair values of the Company's convertible debt as of March 31, 2017 and December 31, 2016 are as follows:

(in thousands)	March 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
2% Convertible Senior Notes	\$ 60,429	\$ 75,865	\$ 59,737	\$ 71,909
1.25% Convertible Senior Notes	\$ 276,333	\$ 347,556	\$ 273,031	\$ 320,969

Note 5. Short-term Investments

The Company's short-term investments are classified as available-for-sale and have maturity dates that range from zero months to 18 months as of March 31, 2017. The investments are all classified as short-term as they are available for current operations. Amortized costs, gross unrealized holding gains and losses, and fair values at March 31, 2017 and December 31, 2016 are as follows:

(in thousands)	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2017				
U.S. government and agency bonds	\$ 99,922	\$ —	\$ (170)	\$ 99,752
Corporate bonds	53,931	3	(50)	53,884
Certificates of deposit	24,354	—	—	24,354
Total short-term investments	\$ 178,207	\$ 3	\$ (220)	\$ 177,990
December 31, 2016				
U.S. government and agency bonds	\$ 79,211	\$ —	\$ (118)	\$ 79,093
Corporate bonds	56,742	—	(89)	56,653
Certificates of deposit	25,650	—	—	25,650
Total short-term investments	\$ 161,603	\$ —	\$ (207)	\$ 161,396

The Company had no realized gains or losses as of March 31, 2017 or December 31, 2016.

Note 6. Convertible Debt

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

(in thousands)	As of	
	March 31, 2017	December 31, 2016
Principal amount of the 2% Convertible Senior Notes	\$ 67,084	\$ 67,084
Principal amount of the 1.25% Convertible Senior Notes	345,000	345,000
Unamortized debt discount	(66,180)	(69,684)
Deferred financing costs	(9,142)	(9,632)
Long-term debt, net of discount	\$ 336,762	\$ 332,768

Interest expense related to the convertible notes was as follows:

(in thousands)	Three Months Ended March 31,	
	2017	2016
Contractual coupon interest	\$ 1,413	\$ 1,006
Accretion of debt discount	3,504	1,702
Amortization of debt issuance costs	490	282
Total interest and other expense	\$ 5,407	\$ 2,990

1.25% Convertible Senior Notes

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

The Company recorded a debt discount of \$66.7 million related to the 1.25% Notes which results from allocating a portion of the proceeds to the fair value of the conversion feature. The fair value of the debt discount was estimated using a trinomial lattice model based on the following inputs: Company's stock price, expected volatility, term to maturity, risk-free interest rate, and dividend yield. The debt discount was recorded as additional paid-in capital and the remaining liability reflects the value of the Company's nonconvertible debt borrowing rate of 5.8% per annum. This debt discount is being amortized as non-cash interest expense over the five year term of the 1.25% Notes. The Company incurred debt issuance costs and other expenses related to this offering of approximately \$11.3 million, of which \$2.2 million has been reclassified as a reduction to the value of the amount allocated to equity. The remainder is presented as a reduction of debt in the consolidated balance sheet, is being amortized using the effective interest method, and is recorded as non-cash interest expense over the five year term of the 1.25% Notes.

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

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

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

Cash interest expense related to the 1.25% Notes was \$1.1 million in the three months ended March 31, 2017. Non-cash interest expense related to the 1.25% Notes was comprised of the amortization of the debt discount and debt issuance costs and was \$3.3 million in the three months ended March 31, 2017.

[Table of Contents](#)

As of March 31, 2017, the Company included \$276.3 million on its balance sheet in long-term debt related to the 1.25% Notes.

2% Convertible Senior Notes

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

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

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

The Company recorded a loss on extinguishment of debt of \$2.6 million in connection with the repurchase and redemption of the 2% Notes during the year ended December 31, 2016, representing the excess of the \$121.4 million allocated to the debt over its carrying value, net of unamortized debt discount, deferred financing costs and accrued interest.

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

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

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

Cash interest expense related to the 2% Notes was \$0.3 million and \$1.0 million in the three months ended March 31, 2017 and 2016, respectively. Non-cash interest expense related to the 2% Notes was comprised of the amortization of the debt discount and debt issuance costs and was \$0.7 million and \$2.0 million in the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, the Company included \$60.4 million on its balance sheet in long-term debt related to the 2% Notes.

Note 7. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period, excluding unvested restricted common shares. Diluted net loss per share is computed using the weighted average number of common shares outstanding and, when dilutive, potential common share equivalents from options, restricted stock units and warrants (using the treasury-stock method), and potential common shares from convertible securities (using the if-converted method). Because the Company reported a net loss for the three months ended March 31, 2017 and 2016, all potential dilutive common shares have been excluded from the computation of the diluted net loss per share for all periods presented, as the effect would have been anti-dilutive.

Potential dilutive common share equivalents consist of the following:

	Three Months Ended March 31,	
	2017	2016
2.00% Convertible Senior Notes	1,442,433	4,327,257
1.25% Convertible Senior Notes	5,910,954	—
Unvested restricted stock units	1,023,386	1,150,720
Outstanding options	3,571,559	3,594,297
Total dilutive common share equivalents	<u>11,948,332</u>	<u>9,072,274</u>

Note 8. Accounts Receivable, Net

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

Customers that represented greater than 10% of gross accounts receivable as of March 31, 2017 and December 31, 2016 were as follows:

	As of	
	March 31, 2017	December 31, 2016
Amgen, Inc.	10%	16%
Ypsomed Distribution AG	28%	19%

The components of accounts receivable are as follows:

(in thousands)	March 31, 2017	December 31, 2016
Trade receivables	\$ 43,348	\$ 31,714
Allowance for doubtful accounts	(2,700)	(2,911)
Total accounts receivable, net	<u>\$ 40,648</u>	<u>\$ 28,803</u>

Note 9. Inventories, Net

Inventories are held at the lower of cost or market, determined under the first-in, first-out method, and include the costs of material, labor and overhead. Inventory has been recorded at cost, or net realizable value as appropriate, as of March 31, 2017 and December 31, 2016. The Company reviews inventories for net realizable value based on quantities on hand and expectations of future use. Work in process is calculated based upon a buildup in the stage of completion using estimated labor inputs for each stage in production.

The components of inventories are as follows:

(in thousands)	As of	
	March 31, 2017	December 31, 2016
Raw materials	\$ 2,284	\$ 1,911
Work-in-process	12,925	15,681
Finished goods, net	19,124	17,922
Total inventories	\$ 34,333	\$ 35,514

Note 10. Other Intangible Assets

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

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

The Company adopted ASU 2016-19 on January 1, 2017 and as a result reclassified \$1.5 million of internal-use software from property and equipment to other intangible assets as of December 31, 2016.

The components of other intangible assets are as follows:

(in thousands)	As of					
	March 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer and contractual relationships, net ⁽¹⁾	\$ 2,011	\$ (1,524)	\$ 487	\$ 1,994	\$ (1,466)	\$ 528
Internal-use software	4,471	(2,750)	1,721	4,064	(2,551)	1,513
Total intangible assets	\$ 6,482	\$ (4,274)	\$ 2,208	\$ 6,058	\$ (4,017)	\$ 2,041

⁽¹⁾ Includes foreign currency translation loss of approximately \$0.1 million.

Amortization expense for intangible assets was approximately \$0.3 million and \$0.1 million for the three months ended March 31, 2017 and 2016, respectively. Amortization expense is recorded in general and administrative expenses in the consolidated statements of operations.

Amortization expense expected for the next five years and thereafter is as follows:

(in thousands)	Customer and Contractual Relationships	Internal-Use Software ⁽¹⁾	Total
Years Ending December 31,			
2017 (remaining)	\$ 138	\$ 506	\$ 644
2018	157	466	623
2019	131	178	309
2020	61	7	68
Total	\$ 487	\$ 1,157	\$ 1,644

(1) Excludes software in-process of development that is not currently being amortized.

As of March 31, 2017, the weighted average amortization period of the Company's intangible assets is approximately 2.5 years.

Note 11. Accrued Expenses and Other Current Liabilities

The components of accrued expenses and other current liabilities are as follows:

(in thousands)	March 31, 2017	December 31, 2016
Employee compensation and related costs	\$ 15,051	\$ 21,999
Professional and consulting services	7,300	6,753
Supplier charges	1,893	2,886
Warranty	1,705	1,642
Other	5,890	7,948
Total accrued expenses and other current liabilities	<u>\$ 31,839</u>	<u>\$ 41,228</u>

Product Warranty Costs

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

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

(in thousands)	Three Months Ended March 31,	
	2017	2016
Balance at the beginning of the period	\$ 4,388	\$ 4,152
Warranty expense	1,463	1,028
Warranty claims settled	(1,289)	(1,020)
Balance at the end of the period	<u>\$ 4,562</u>	<u>\$ 4,160</u>

(in thousands)	March 31, 2017	December 31, 2016
Composition of balance:		
Short-term	\$ 1,705	\$ 1,642
Long-term	2,857	2,746
	<u>\$ 4,562</u>	<u>\$ 4,388</u>

Note 12. Commitments and Contingencies

The Company records a liability in the consolidated financial statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed.

Operating Leases

[Table of Contents](#)

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

The Company leases approximately 100,000 square feet of laboratory and office space for its corporate headquarters in Billerica, Massachusetts. The leases expire in November 2022 and contain escalating payments over the life of the lease. Additionally, the Company leases approximately 29,000 square feet of warehousing space in Billerica, Massachusetts under a lease expiring in September 2019. The Company leases other facilities in Canada, China, California and Tennessee containing a total of approximately 11,000 square feet under leases expiring from May 2017 to January 2020.

Certain of the Company's operating lease agreements contain scheduled rent increases. Rent expense is recorded using the straight-line method and deferred rent is included in other liabilities in the accompanying balance sheets. The Company has considered ASC 840-20, *Leases* in accounting for these lease provisions. Rental expense under operating leases was \$0.6 million for each of the three months ended March 31, 2017 and 2016.

The aggregate future minimum lease payments related to these leases as of March 31, 2017 are as follows:

(in thousands) Years Ending December 31,	Minimum Lease Payments
2017 (remaining)	\$ 2,065
2018	2,684
2019	2,681
2020	2,402
2021	2,383
Thereafter	2,131
Total	\$ 14,346

Legal Proceedings

The Company is in the process of responding to a revised audit report received in December 2015 on behalf of the Centers for Medicare and Medicaid Services and the State of New York alleging overpayment of certain Medicaid claims to Neighborhood Diabetes. As of December 31, 2015, the Company had determined that it was probable that a loss had been incurred and recorded an aggregate liability of \$0.4 million recorded within loss from discontinued operations, which was reduced to \$0.3 million during 2016 (which remains the Company's current estimate of such liability). The change in the liability was recorded in discontinued operations.

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

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

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

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

Note 13. Equity

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

The Company grants share-based awards to employees in the form of options to purchase the Company’s common stock, the ability to purchase stock at a discounted price under the employee stock purchase plan and restricted stock units. The Company uses the Black-Scholes option pricing model to determine the weighted-average fair value of options granted and determines the intrinsic value of restricted stock units based on the closing price of its common stock on the date of grant. The Company recognizes the compensation expense of share-based awards on a straight-line basis for awards with only service conditions and on an accelerated basis for awards with performance conditions. Compensation expense is recognized over the vesting period of the awards.

The following table reflects the Company's stock-based compensation expense related to share-based awards recognized in the three months ended March 31, 2017 and 2016:

(\$ in thousands)	Three Months Ended March 31,		Unamortized Expense	Weighted Average Remaining Contractual Life (Years)
	2017	2016	At March 31, 2017	
Stock options	\$ 2,779	\$ 2,321	\$ 23,067	2.7
Restricted stock units	4,237	2,950	33,359	2.3
Employee stock purchase plan	108	—	72	0.2
Total	\$ 7,124	\$ 5,271	\$ 56,498	

Stock Options

In May 2007, in conjunction with the Company's initial public offering, the Company adopted its 2007 Stock Option and Incentive Plan (the "2007 Plan"). The 2007 Plan was amended and restated in November 2008, May 2012 and May 2015 to provide for the issuance of additional shares and to amend certain other provisions. Under the 2007 Plan, awards may be granted to persons who are, at the time of grant, employees, officers, non-employee directors or key persons (including consultants and prospective employees) of the Company. The 2007 Plan provides for the granting of stock options, restricted stock units, stock appreciation rights, deferred stock awards, restricted stock, unrestricted stock, cash-based awards, performance share awards or dividend equivalent rights. Options granted under the 2007 Plan generally vest over a period of four years and expire ten years from the date of grant. As of March 31, 2017, 3,441,215 shares remain available for future issuance under the 2007 Plan.

The Company awarded 34,500 shares of performance-based incentive stock options in the three months ended March 31, 2017. There were no shares of performance-based incentive stock options awarded in the three months ended March 31, 2016. The stock options were granted under the 2007 Plan and vest over a four year period from the grant date with the potential of an accelerated vesting period pursuant to the achievement of certain performance conditions.

The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by the stock price and the following assumptions, including expected volatility, expected life of the awards, the risk-free interest rate, and the dividend yield.

- Expected volatility measures the amount that a stock price has fluctuated or is expected to fluctuate during a period and is computed over expected terms based upon the historical volatility of the Company's stock.
- The expected life of the awards is estimated based on the midpoint scenario, which combines historical exercise data with hypothetical exercise data for outstanding options, as the Company believes this data currently represents the best estimate of the expected life of a new employee option. The Company stratifies its employee population into two groups based upon organizational hierarchy.
- The risk-free interest rate assumption is based on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options.

[Table of Contents](#)

- The dividend yield assumption is based on Company history and expectation of paying no dividends. The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and, therefore, used an expected dividend yield of zero in the valuation.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense recognized in the financial statements is based on awards that are ultimately expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

The Company evaluates the assumptions used to value the awards on a quarterly basis and if factors change and different assumptions are utilized, stock-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

The estimated grant date fair values of the employee stock options were calculated using the Black-Scholes option pricing model.

The following summarizes the activity under the Company's stock option plans during the three months ended March 31, 2017:

	Number of Options (#)	Weighted Average Exercise Price (\$)	Aggregate Intrinsic Value (\$ in 000s)	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2016	3,441,303	\$ 32.27		
Granted	416,244	45.19		
Exercised ⁽¹⁾	(260,290)	24.34	\$ 4,882	
Canceled	(25,698)	33.85		
Balance, March 31, 2017	3,571,559	\$ 34.35	\$ 32,610	8.2
Vested, March 31, 2017 ⁽²⁾	1,540,298	\$ 33.17	\$ 15,447	7.5
Vested and expected to vest, March 31, 2017 ⁽²⁾⁽³⁾	3,275,247		\$ 30,325	

⁽¹⁾ The aggregate intrinsic value was calculated based on the positive difference between the estimated fair value of the Company's common stock as of the date of exercise and the exercise price of the underlying options. The aggregate intrinsic value of options exercised in the three months ended March 31, 2017 and 2016 was \$4.9 million and \$0.8 million, respectively.

⁽²⁾ The aggregate intrinsic value was calculated based on the positive difference between the estimated fair value of the Company's common stock as of March 31, 2017, and the exercise price of the underlying options.

⁽³⁾ Represents the number of vested options as of March 31, 2017, plus the number of unvested options expected to vest as of March 31, 2017, based on the unvested options outstanding at March 31, 2017 adjusted for the estimated forfeiture.

Restricted Stock Units

In the three months ended March 31, 2017, the Company awarded 330,619 restricted stock units to certain employees and non-employee members of the Board of Directors, which included 105,476 restricted stock units subject to the achievement of performance conditions (performance-based restricted stock units). For performance-based restricted stock units for which the performance criteria has not yet been achieved, the Company recognized stock compensation expense of \$1.0 million in the three months ended March 31, 2017 as it expects a portion of the performance-based restricted stock units granted in 2016 and 2017 will be earned based on its evaluation of the performance criteria at December 31, 2017 and December 31, 2019, respectively. An additional \$0.2 million of stock compensation expense was recognized in the three months ended March 31, 2017 for performance-based restricted stock units for which the performance criteria has been achieved. The restricted stock units were granted under the 2007 Plan and generally vest annually over a one or three year period from the grant date, except for the performance-based restricted stock units, which follow different vesting patterns.

The restricted stock units granted during the three months ended March 31, 2017 have a weighted average fair value of \$46.22 per share based on the closing price of the Company's common stock on the date of grant and were valued at approximately \$15.3 million on their grant date. The Company is recognizing the compensation expense over the vesting

[Table of Contents](#)

period. Approximately \$3.0 million and \$2.3 million in the three months ended March 31, 2017 and 2016, respectively, of stock-based compensation expense related to the vesting of non-performance based restricted stock units was recognized. Under the terms of the awards, the Company will issue shares of common stock on each of the vesting dates.

The following table summarizes the status of the Company's restricted stock units during the three months ended March 31, 2017:

	Number of Shares (#)	Weighted Average Fair Value (\$)
Balance, December 31, 2016	962,219	\$ 31.14
Granted	330,619	46.22
Vested	(266,495)	32.03
Forfeited	(2,957)	33.17
Balance, March 31, 2017	1,023,386	\$ 35.77

Employee Stock Purchase Plan

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

Each employee who is a participant in the Company's ESPP may purchase up to a maximum of 800 shares per offering period or \$25,000 worth of common stock, valued at the start of the purchase period, per year by authorizing payroll deductions of up to 10% of his or her base salary. Unless the participating employee withdraws from the offering period, his or her accumulated payroll deductions will be used to purchase common stock.

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

The accumulated payroll deductions of any employee who is not a participant on the last day of an offering period will be refunded. An employee's rights under the ESPP terminate upon voluntary withdrawal from the plan or when the employee ceases employment with the Company for any reason.

The ESPP may be terminated or amended by the Board of Directors at any time. An amendment to increase the number of shares of common stock that is authorized under the ESPP, and certain other amendments, require the approval of stockholders.

Note 14. Income Taxes

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

The Company follows the provisions of ASC 740-10, *Income Taxes* ("ASC 740-10") on accounting for uncertainty in income taxes recognized in its financial statements. ASC 740-10 prescribes a recognition threshold and measurement

[Table of Contents](#)

attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes estimated interest and penalties for uncertain tax positions in income tax expense.

The Company files federal, state and foreign tax returns. These returns are generally open to examination by the relevant tax authorities from three to four years from the date they are filed. The tax filings relating to the Company's federal and state tax returns are currently open to examination for tax years 2013 through 2015 and 2012 through 2015, respectively. In addition, the Company has generated tax losses since its inception in 2000. These years may be subject to examination if the losses are carried forward and utilized in future years.

At March 31, 2017 and December 31, 2016, the Company provided a full valuation allowance against its domestic net deferred tax asset because it is not more likely than not that the future tax benefit will be realized. In addition, the Company has a net deferred tax asset in foreign jurisdictions where no valuation allowance is recorded, because it is more likely than not that the future tax benefit will be realized.

Income tax expense was \$0.1 million for each of the three months ended March 31, 2017 and 2016. Income tax expense for both periods was primarily driven by income denominated in foreign jurisdictions, mainly Canada.

The Company had no unrecognized tax benefits at March 31, 2017.

15. Segment Reporting

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

Worldwide revenue for the Company's products is categorized as follows:

(in thousands)	Three Months Ended March 31,	
	2017	2016
U.S. Omnipod	\$ 59,655	\$ 50,712
International Omnipod	25,144	15,380
Drug Delivery	16,914	15,121
Total	\$ 101,713	\$ 81,213

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

(in thousands)	Three Months Ended March 31,	
	2017	2016
United States	\$ 76,569	\$ 65,833
All other	25,144	15,380
Total	\$ 101,713	\$ 81,213

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

(in thousands)	March 31, 2017	December 31, 2016
	United States	\$ 43,238
China	22,203	25,431
Other	71	197
Total	\$ 65,512	\$ 44,969

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

FORWARD-LOOKING STATEMENTS

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

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

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

[Table of Contents](#)

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

The factors discussed above are not intended to be a complete statement of all risks and uncertainties and should be evaluated with all other risks described in our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on February 28, 2017 in the section entitled “Risk Factors,” and in our other filings from time to time with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements.

Executive Level Overview

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

We began commercial sale of the Omnipod System in the United States in 2005. We sell the Omnipod System in the United States through direct sales to customers or through our distribution partners. The Omnipod System is currently available in multiple countries in Europe, Canada and Israel.

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

[Table of Contents](#)

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

First quarter 2017 Revenue Results:

- Total revenue of \$101.7 million
 - U.S. Omnipod revenue of \$59.7 million
 - International Omnipod revenue of \$25.1 million
 - Drug Delivery revenue of \$16.9 million

Our long-term financial objective is to achieve and sustain profitable growth. Our efforts in 2017 are primarily focused on the expansion of our customer base in the United States and internationally, increasing our gross profit and product development. Achieving these objectives is expected to require additional investments in certain personnel and initiatives, as well as enhancements to our supply chain operation capacity, efficiency and effectiveness. We believe that we will continue to incur net losses in the near term in order to achieve these objectives. However, we believe that the accomplishment of our near-term objectives will have a positive impact on our financial condition in the future.

Components of Financial Operations

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

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

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

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

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

Results of Operations

This section discusses our consolidated results of operations for the first quarter of 2017 compared to the first quarter of 2016, and should be read in conjunction with the consolidated financial statements and accompanying condensed notes included in this Form 10-Q.

TABLE 1: RESULTS OF OPERATIONS

(Unaudited) (in Thousands)	Three Months Ended March 31,			
	2017	2016	Change \$	Change %
Revenue:				
U.S. Omnipod	\$ 59,655	\$ 50,712	\$ 8,943	18 %
International Omnipod	25,144	15,380	9,764	63 %
Drug Delivery	16,914	15,121	1,793	12 %
Total Revenue	101,713	81,213	20,500	25 %
Cost of revenue	42,315	37,162	5,153	14 %
Gross profit	59,398	44,051	15,347	35 %
Gross margin	58.4%	54.2%		
Operating expenses:				
Research and development	17,500	12,989	4,511	35 %
Sales and marketing	28,095	24,022	4,073	17 %
General and administrative	19,111	14,739	4,372	30 %
Total operating expenses	64,706	51,750	12,956	25 %
Operating loss	(5,308)	(7,699)	(2,391)	(31)%
Interest expense, net	4,573	2,926	(1,647)	(56)%
Loss from continuing operations before income taxes	(9,881)	(10,625)	(744)	(7)%
Income tax expense	96	64	32	50 %
Net loss from continuing operations	(9,977)	(10,689)	(712)	(7)%
Loss from discontinued operations, net of tax	—	(1,792)	(1,792)	(100)%
Net loss	\$ (9,977)	\$ (12,481)	\$ (2,504)	(20)%

Revenue

Our total revenue increased to \$101.7 million, up \$20.5 million, or 25%, in the first quarter of 2017 compared to the first quarter of 2016, due to strong growth in our U.S. Omnipod revenue, International Omnipod revenue and our on-body injection device for drug delivery. Our U.S. Omnipod revenue increased to \$59.7 million, up \$8.9 million, or 18%, primarily due to growth in our installed base of Omnipod users as we continue to expand awareness of the Omnipod System. Our International Omnipod revenue increased to \$25.1 million, up \$9.8 million, or 63%, primarily due to growth in distributor sales from continued adoption in existing and newer markets such as France. Our drug delivery revenue increased to \$16.9 million, up \$1.8 million, or 12%, due to strong growth in demand for our primary drug delivery device on greater market adoption of Amgen's Neulasta Onpro kit.

For the year ending December 31, 2017, we expect strong revenue growth across all of our product lines as we continue our expansion in the U.S. and internationally.

Cost of Revenue

Cost of revenue increased to \$42.3 million, up \$5.2 million, or 14%, in the first quarter of 2017 compared to the same period in 2016, reflecting an increase in sales volumes, partially offset by improvements in supply chain operations.

Gross Margin

Gross margin increased to 58%, up approximately 4 points in the first quarter of 2017 compared to the same period in 2016. The margin increase was primarily due to improvements in supply chain operations.

For the year ending December 31, 2017, we expect gross margin to increase primarily due to improvements in supply chain operations.

Research and Development

Research and development expenses increased to \$17.5 million, up \$4.5 million, or 35%, for the three month period ended March 31, 2017 compared to the same period in 2016. The increase was primarily due to an

[Table of Contents](#)

increase in expenses related to our development projects, including our mobile application development which involves interaction with continuous glucose monitoring technology, artificial pancreas program and development efforts with Eli Lilly and Company for the use of concentrated insulin for patients with higher insulin-resistance and other Omnipod System product improvement initiatives.

For the year ending December 31, 2017, we expect overall research and development spending to increase due to the development efforts on our on-going projects described above.

Sales and Marketing

Sales and marketing expenses increased to \$28.1 million, up \$4.1 million, or 17%, for the three month period ended March 31, 2017 compared to the same period in 2016. This increase was primarily attributable to increased personnel-related expenses associated with the expansion of our customer support, market access and sales force personnel.

We expect sales and marketing expenses in the year ending December 31, 2017 to increase due to the expansion of our sales force, customer support and market access personnel.

General and Administrative

General and administrative expenses increased to \$19.1 million, up \$4.4 million, or 30%, for the three month period ended March 31, 2017 compared to the same period in 2016. This increase was primarily attributable to increased personnel-related costs and fees paid for external consultants to support the growth in our business.

For the year ending December 31, 2017, we expect overall general and administrative expenses to increase as we continue to grow the business and make investments in our operating structure to support this continued growth.

Interest Expense, Net

Interest expense, net increased to \$4.6 million, up \$1.6 million, or 56%, for the three month period ended March 31, 2017 compared to the same period in 2016. The increase is primarily due to additional interest expense, including cash and non-cash interest, associated with the issuance of the 1.25% Notes issued in September 2016. This was partially offset by lower interest expense associated with the repurchase of \$134.2 million in principal of the 2% Notes in September 2016.

Income Tax Expense

For each of the three months ended March 31, 2017 and 2016, income tax expense was \$0.1 million. Additional information regarding income tax expense is provided in note 14 to the consolidated financial statements.

Loss from Discontinued Operations, Net of Tax

The loss from discontinued operations was \$1.8 million for the three months ended March 31, 2016. We sold the Neighborhood Diabetes business in February 2016.

Liquidity and Capital Resources

As of March 31, 2017, we had \$76.0 million in cash and cash equivalents and \$178.0 million in short-term investments. We believe that our current liquidity, together with the cash expected to be generated from sales, will be sufficient to meet our projected operating and debt service requirements for at least the next twelve months.

To lower our manufacturing costs, increase supply redundancy, add capacity closer to our largest customer base and support growth, we intend to construct a highly-automated manufacturing facility in the U.S., with planned production out of the facility beginning in 2019. We expect capital expenditures to increase above historic levels to fund the construction of the manufacturing facility and related equipment purchases. We believe that our current liquidity will be sufficient to meet our projected expenditures associated with this project.

Convertible Debt

In September 2016, we issued and sold \$345.0 million in principal amount of 1.25% Convertible Senior Notes due September 2021 ("1.25% Notes"). The interest rate on the notes is 1.25% per annum, payable semi-annually in arrears in cash on March 15 and September 15 of each year. Interest began accruing on September 13, 2016; the first interest payment was paid in March 2017. The 1.25% Notes are convertible into our common stock at an initial conversion rate of 17.1332 shares of common stock per \$1,000 principal amount of the 1.25% Notes, which is equivalent to a conversion price of approximately \$58.37 per share, subject to adjustment under certain

[Table of Contents](#)

circumstances. The 1.25% Notes will be convertible prior to the close of business on the business day immediately preceding June 15, 2021 only under certain circumstances and during certain periods, and will be convertible on or after June 15, 2021 until the close of business on the second scheduled trading day immediately preceding September 15, 2021, regardless of those circumstances.

Cash interest expense related to the 1.25% Notes was \$1.1 million in the three months ended March 31, 2017. Non-cash interest expense related to the 1.25% Notes of \$3.3 million was comprised of the amortization of the debt discount and debt issuance costs in the three months ended March 31, 2017.

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

In September 2016, in connection with the issuance of \$345.0 million in principal amount of 1.25% Notes discussed above, we repurchased approximately \$134.2 million in principal amount of the 2% Notes for \$153.6 million. The \$154.3 million paid to extinguish the debt was allocated to debt and equity based on their respective fair values immediately prior to the transaction. We allocated \$121.4 million of the payment to the debt and \$32.9 million to equity.

Cash interest expense related to the 2% Notes was \$0.3 million and \$1.0 million in the three months ended March 31, 2017 and 2016, respectively. Non-cash interest expense related to the 2% Notes of \$0.7 million and \$2.0 million was comprised of the amortization of the debt discount and debt issuance costs in the three months ended March 31, 2017 and 2016, respectively.

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

Summary of Cash Flows

(In thousands)	Three Months Ended March 31,	
	2017	2016
Cash (used in) provided by:		
Operating activities	\$ (21,835)	\$ (10,517)
Investing activities	(42,286)	1,454
Financing activities	2,927	(2,184)
Effect of exchange rate changes on cash	58	210
Net decrease in cash and cash equivalents	\$ (61,136)	\$ (11,037)

Operating Activities

Our net cash used in operating activities for the three months ended March 31, 2017 was \$21.8 million compared to net cash used in operating activities of \$10.5 million in the same period of 2016. The increase was primarily due to timing of customer collections and vendor cash disbursements.

Investing Activities

Our net cash used in investing activities for the three months ended March 31, 2017 was \$42.3 million compared to \$1.5 million in net cash provided by investing activities in the same period of 2016. In the three months ended March 31, 2017, we invested \$16.6 million into short-term investments (net of proceeds from redemptions and sales). There were no such investments in the same period of 2016. In addition, the increase in investing activities relates to higher capital purchases of \$25.7 million for the three months ended March 31, 2017 compared to \$3.2 million in the same period in 2016, primarily associated with investments in supply chain operations including approximately \$18 million for equipment in process of construction to support our U.S. manufacturing initiatives.

Financing Activities

[Table of Contents](#)

Our net cash provided by financing activities for the three months ended March 31, 2017 was \$2.9 million compared to \$2.2 million in net cash used in financing activities in the same period of 2016. The increase was primarily attributable to higher proceeds from the exercise of stock options in the period.

Commitments and Contingencies

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

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

Legal Proceedings

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

Off-Balance Sheet Arrangements

As of March 31, 2017, we did not have any off-balance sheet financing arrangements.

Critical Accounting Policies and Estimates

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

We have reviewed our policies and estimates to determine our critical accounting policies for the three months ended March 31, 2017. We have made no material changes to the critical accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2016.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash, cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses, debt and long-term obligations. We consider investments that, when purchased, have a remaining maturity of 90 days or less to be cash equivalents. The primary objectives of our investment strategy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. To minimize our exposure to an adverse shift in interest rates, we invest mainly in short-term investments and 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, 2017, we had outstanding debt recorded on our consolidated balance sheet of \$336.8 million, net of our deferred financing costs and unamortized debt discount totaling \$75.3 million, related to our 2% and 1.25% Notes. As the interest rates are fixed, changes in interest rates do not affect the value of our debt.

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

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2017, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at a 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, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding our legal proceedings is provided in note 12 to the consolidated financial statements in this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, which could materially affect our business, financial condition or future results. These risks are not the only risks we face. Additional

[Table of Contents](#)

risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Number</u>	<u>Description</u>
10.1	Form of Vice President Restricted Stock Unit Agreement with Performance Component under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
10.2	Form of Employee Restricted Stock Unit Agreement with Performance Component under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
10.3	Form of Executive Officer 3 Year Performance Vesting Restricted Stock Unit Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
10.4	Form of Vice President 3 Year Performance Vesting Restricted Stock Unit Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
10.5	Form of Executive Officer Cliff Vesting Performance Restricted Stock Unit Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
10.6	Form of International 3 Year Vesting Restricted Stock Unit Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
10.7	Form of Executive Officer 3 Year Incentive Stock Option Agreement under the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.
101	The following materials from Insulet Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Consolidated Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016 (ii) Consolidated Statements of Operations for the Three Months Ended March 31, 2017 and 2016 (Unaudited) (iii) Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2017 and 2016 (Unaudited) (iv) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016 (Unaudited) (iv) Condensed Notes to Consolidated Financial Statements (Unaudited)
*	This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURES

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

INSULET CORPORATION

(Registrant)

Date: May 8, 2017

/s/ Patrick J. Sullivan

Patrick J. Sullivan

Chief Executive Officer

(Principal Executive Officer)

Date: May 8, 2017

/s/ Michael L. Levitz

Michael L. Levitz

Chief Financial Officer

(Principal Financial and Accounting Officer)

TIME VESTING RESTRICTED STOCK UNIT AGREEMENT
 UNDER THE INSULET CORPORATION THIRD
 AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:

No. of Restricted Stock Units Granted:

Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants a deferred stock award consisting of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value \$0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan.

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award. Any consideration due to the Company on the issuance of the Award has been deemed to be satisfied by past services rendered by the Grantee to the Company.
 2. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Section 3 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.
 3. Vesting of Restricted Stock Units. The Restricted Stock Units shall vest 100% on the third anniversary of the date of grant (the "Standard Vesting Date"); provided, however, that [____]% of the Restricted Stock Units shall vest, in advance of the Standard Vesting Date, upon the Committee's determination, [Description of Early Vesting Trigger] (an "Early Vesting Occurrence"), but in no case shall any portion of the Restricted Stock Units become vested prior to the first anniversary of the Grant Date; further provided that any such vesting (whether on the Standard Vesting Date or pursuant to an Early Vesting Occurrence) shall only occur if the Grantee is, at the time of such Standard Vesting Date or Early Vesting Occurrence, as applicable, and since the Grant Date has continuously been, employed by the Company or its Subsidiaries. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.
 4. Termination of Employment. If the Grantee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated prior to the vesting or termination of this Award, the following shall occur:
 - (a) Termination Due to Death or Disability. If the Grantee's employment terminates by reason of the Grantee's death or disability (as determined by the Administrator), this Award shall become fully vested on the date of such employment termination.
 - (b) Termination for any reason other than Death or Disability. If the Grantee's employment with the Company and its Subsidiaries terminates for any reason other than the
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Grantee's death or disability prior to the satisfaction of the vesting conditions set forth in Section 3 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

(c) Termination in Connection with a Sale Event. Notwithstanding Section 4(b) above, if the Grantee's employment with the Company or its Subsidiaries is terminated by the Company without Cause or by the Grantee for Good Reason in either case within 24 months after a Sale Event, this Award shall become fully vested as of the date of such termination of employment.

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

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

Period”), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) Grantee terminates his employment within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

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

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

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

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

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

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

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

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or

desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

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

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

INSULET CORPORATION

By: Patrick J. Sullivan

Title: Chief Executive Officer

Grantee Name

Grantee Acceptance Date

TIME VESTING RESTRICTED STOCK UNIT AGREEMENT
UNDER THE INSULET CORPORATION THIRD
AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:

No. of Restricted Stock Units Granted:

Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants a deferred stock award consisting of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value \$0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan.

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

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

3. Vesting of Restricted Stock Units. The Restricted Stock Units shall vest 100% on the third anniversary of the date of grant (the "Standard Vesting Date"); provided, however, that []% of the Restricted Stock Units shall vest, in advance of the Standard Vesting Date, upon the Committee's determination, [Description of Early Vesting Trigger] (an "Early Vesting Occurrence"), but in no case shall any portion of the Restricted Stock Units become vested prior to the first anniversary of the Grant Date; further provided that any such vesting (whether on the Standard Vesting Date or pursuant to an Early Vesting Occurrence) shall only occur if the Grantee is, at the time of such Standard Vesting Date or Early Vesting Occurrence, as applicable, and since the Grant Date has continuously been, employed by the Company or its Subsidiaries. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

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

(a) Termination Due to Death or Disability. If the Grantee's employment terminates by reason of the Grantee's death or disability (as determined by the Administrator), this Award shall become fully vested on the date of such employment termination.

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

(c) Termination in connection with a Sale Event. Notwithstanding Section 4(b) above, if the Grantee's employment with the Company or its Subsidiaries is terminated by the Company without Cause within 24 months after a Sale Event, this Award shall become fully vested as of the date of such termination of employment.

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

5. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the

aggregate number of Restricted Stock Units credited to the Grantee that have vested pursuant to Section 3 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares, including voting and dividend rights, and such shares of Stock shall not be restricted by the provisions hereof.

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

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

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

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

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

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

Relevant Information. Relevant Information will only be used in accordance with applicable law.

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

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

INSULET CORPORATION

By: Patrick J. Sullivan
Title: Chief Executive Officer

Grantee Name
Grantee Acceptance Date

PERFORMANCE VESTING RESTRICTED STOCK UNIT AGREEMENT**UNDER THE INSULET CORPORATION
THIRD AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN**

Name of Grantee:

No. of Restricted Stock Units Granted:

Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants an award under Section 8 of the Plan of the target number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value \$0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan. The actual number of Restricted Stock Units to be earned by the Grantee may be more or less than the target number. The Award, and the Restricted Stock Units included therein, are governed by this Performance Vesting Restricted Stock Unit Agreement (this "Agreement") and the Plan, as further described in Section 6 below.

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award. Any consideration due to the Company on the issuance of the Award has been deemed to be satisfied by past services rendered by the Grantee to the Company.
 2. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Section 3 or Section 4 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.
 3. Vesting of Restricted Stock Units. The Restricted Stock Units are subject to both performance-based vesting and time-based vesting as described in paragraphs (a) and (b) below, both of which must be satisfied before the Restricted Stock Units will be deemed vested. The number of Restricted Stock Units that may be earned in accordance with this Section 3 may be more or less than the Target Award. In no event will the number of Restricted Stock Units earned hereunder exceed [_____] % of the Target Award.
 - (a) Performance-Based Vesting. The number of Restricted Stock Units earned by the Grantee shall be determined on the date the Administrator makes a determination regarding the achievement of each performance metric set forth in paragraphs (i) and (ii) below (the "Determination Date"), provided that the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such date, and provided further that the achievement of either such performance metric, and the number of units earned by the Grantee based on the achievement of such performance metric, will be determined independently of, and will not affect the number of Restricted Stock Units earned by the Grantee based on the achievement of the other performance metric. For purposes hereof, "Service Relationship" means any relationship as a full-time employee, part-time employee or director of the Company or any Subsidiary or any successor entity (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual's status changes from full-time employee to part-time employee or Non-Employee Director). The determination of whether each performance metric has
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been achieved shall be made by the Administrator with reference to the Company's audited financial statements. The Administrator shall review the Company's audited financial statements for the three year period ending December 31, [____], promptly after their completion, but in no event later than December 31, [____], to determine whether the performance metrics set forth in paragraphs (i) and (ii) have been achieved for purposes of this Section 3.

(i) **[Metric 1] Metric.** The number of Restricted Stock Units earned by the Grantee as a result of the achievement of the performance metric set forth in the table below shall be determined as described in the table below. In no event will the number of Restricted Stock Units earned as a result of the achievement of the performance metric set forth in the table below exceed [____]% of the [Metric 1]-Linked Target Portion (the "Maximum [Metric 1]-Linked Award"). For purposes hereof, "[Metric 1]-Linked Target Portion" means [____] percent ([____]%) of the Target Award.

[Metric 1] for the Fiscal Years Ending December 31, [____],[____] and [____]*	Number of Restricted Stock Units
Less than \$[A]	0
\$[A]	[____]% of the [Metric 1]-Linked Target Portion (the "[Metric 1]-Linked Threshold Award")
[\$[A+1] - \$[B-1]	Percentage determined pursuant to Section 3(a)(iii)(A) below
\$[B]	[____]% of the [Metric 1]-Linked Target Portion
[\$[B+1] - \$[C-1]	Percentage determined pursuant to Section 3(a)(iii)(A) below
\$[C] or more	[____]% of the [Metric 1]-Linked Target Portion

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

(ii) **[Metric 2] Metric.** The number of Restricted Stock Units earned by the Grantee as a result of the achievement of the performance metric set forth in the table below shall be determined as described in the table below. In no event will the number of Restricted Stock Units earned as a result of the achievement of the performance metric set forth in the table below exceed [____]% of the [Metric 2]-Linked Target Portion (the "Maximum [Metric 2]-Linked Award"). For purposes hereof, "[Metric 2]-Linked Target Portion" means [____] percent ([____]%) of the Target Award.

[Metric 2] for the Fiscal Years Ending December 31, [____],[____] and [____]*	Number of Restricted Stock Units
Less than \$[X]	0
\$[X]	[____]% of the [Metric 2]-Linked Target Portion (the "[Metric 2]-Linked Threshold Award")
[\$[X+1] - \$[Y-1]	Percentage determined pursuant to Section 3(a)(iii)(B) below
\$[Y]	[____]% of the [Metric 2]-Linked Target Portion
[\$[Y+1] - \$[Z-1]	Percentage determined pursuant to Section 3(a)(iii)(B) below
\$[Z] or more	[____]% of the [Metric 2]-Linked Target Portion

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

(iii) **Interpolation.**

(A) In Relation to [Metric 1] Metric. To the extent that the Company's [Metric 1] for the fiscal years ending December 31, [____], [____] and [____] ("Year Range" [Metric 1]) are more than \$[A] but less than \$[B], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(i) above shall equal the sum of (I) the [Metric 1]-Linked Threshold Award, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the [Metric 1]-Linked Target Portion and the [Metric 1]-Linked Threshold Award, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 1] exceeded \$[A], and the denominator of which is \$[B-A]. To the extent that the [Year Range] [Metric 1] are more than \$[B] but less than \$[C], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(i) above shall equal the sum of (I) the [Metric 1] Target Portion, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the Maximum [Metric 1]-Linked Award and the [Metric 1]-Linked Target Portion, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 1] exceeded \$[B], and the denominator of which is \$[C-B].

(B) In Relation to [Metric 2] Metric. To the extent that the Company's [Metric 2] for the fiscal years ending December 31, [____], [____] and [____] ("Year Range" [Metric 2]) is more than \$[X] but less than \$[Y], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(ii) above shall equal the sum of (I) the [Metric 2]-Linked Threshold Award, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the [Metric 2]-Linked Target Portion and the [Metric 2]-Linked Threshold Award, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 2] exceeded \$[X], and the denominator of which is \$[Y-X]. To the extent that the [Year Range] [Metric 2] is more than \$[Y] but less than \$[Z], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(ii) above shall equal the sum of (I) the [Metric 2]-Linked Target Portion, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the Maximum [Metric 2]-Linked Award and the [Metric 2]-Linked Target Portion, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 2] exceeded \$[Y], and the denominator of which is \$[Z-Y].

(iv) Effect of Failure to Achieve Both Performance Metrics. For the avoidance of doubt, in the event the Administrator determines both that the Company's [Metric 1] for the fiscal years ending December 31, [____], [____] and [____] is less than \$[A] and that the Company's [Metric 2] for the fiscal years ending December 31, [____], [____] and [____] is less than \$[X], no portion of this Award shall be earned by the Grantee and the entire Award shall automatically and without notice terminate, be forfeited and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

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

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

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

(b) Termination for any Reason Other Than Death or Disability. If the Grantee's Service Relationship with the Company and its Subsidiaries terminates for any reason other than the Grantee's death or disability, the entire Award shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

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

For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events: (i) conduct by the Grantee constituting a material act of willful misconduct in connection with the performance of Grantee's duties to the Company or any of its Subsidiaries, including, without limitation, misappropriation of funds or property of the Company or any of its Subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or (ii) the commission by the Grantee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Grantee that would reasonably be expected to result in material injury to the Company or any of its Subsidiaries and affiliates if the Grantee were retained in the Grantee's position; or (iii) willful and deliberate material non-performance by the Grantee of the Grantee's duties to the Company (other than by reason of the Grantee's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Company; or (iv) a breach by the Grantee of any of the provisions contained in any agreements between the Grantee and the Company relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; or (v) a material violation by the Grantee of the Company's employment policies which has continued following written notice of such violation from the Company; or (vi) willful failure by the Grantee to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction by the Grantee of, or the willful failure by the Grantee to preserve,

documents or other materials known by the Grantee to be relevant to such investigation, or the willful inducement of others by the Grantee to fail to cooperate or to produce documents or other materials in connection with such investigation. For purposes of clauses (i), (iii) and (vi) of the foregoing sentence, no act, or failure to act, on the Grantee's part shall be deemed "willful" unless done, or omitted to be done, by the Grantee without reasonable belief that the Grantee's act or failure to act, was in the best interest of the Company and its Subsidiaries and affiliates.

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

5. Issuance of Shares of Stock. As soon as practicable following the earlier of the Vesting Date or the date the Restricted Stock Units become vested in accordance with Section 4(a) or 4(c) (but in no event later than two and one half months after the end of the year in which the earliest of such dates occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units earned by the Grantee that have vested pursuant to Section 3 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares, including voting and dividend rights, and such shares of Stock shall not be restricted by the provisions hereof.

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

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

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

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

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

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

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

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

INSULET CORPORATION

By: Patrick J. Sullivan

Title: Chief Executive Officer

Grantee Name

Grantee Acceptance Date

PERFORMANCE VESTING RESTRICTED STOCK UNIT AGREEMENT

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

Name of Grantee:

No. of Restricted Stock Units Granted:

Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants an award under Section 8 of the Plan of the target number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value \$0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan. The actual number of Restricted Stock Units to be earned by the Grantee may be more or less than the target number. The Award, and the Restricted Stock Units included therein, are governed by this Performance Vesting Restricted Stock Unit Agreement (this "Agreement") and the Plan, as further described in Section 6 below.

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award. Any consideration due to the Company on the issuance of the Award has been deemed to be satisfied by past services rendered by the Grantee to the Company.
 2. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Section 3 or Section 4 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.
 3. Vesting of Restricted Stock Units. The Restricted Stock Units are subject to both performance-based vesting and time-based vesting as described in paragraphs (a) and (b) below, both of which must be satisfied before the Restricted Stock Units will be deemed vested. The number of Restricted Stock Units that may be earned in accordance with this Section 3 may be more or less than the Target Award. In no event will the number of Restricted Stock Units earned hereunder exceed [_____] % of the Target Award.
 - (a) Performance-Based Vesting. The number of Restricted Stock Units earned by the Grantee shall be determined on the date the Administrator makes a determination regarding the achievement of each performance metric set forth in paragraphs (i) and (ii) below (the "Determination Date"), provided that the Grantee is then, and since the Grant Date has continuously been, employed by the Company or its Subsidiaries, and provided further that the achievement of either such performance metric, and the number of units earned by the Grantee based on the achievement of such performance metric, will be determined independently of, and will not affect the number of Restricted Stock Units earned by the Grantee based on the achievement of the other performance metric. The determination of whether each performance metric has been achieved shall be made by the Administrator with reference to the Company's audited financial statements. The Administrator shall review the Company's audited financial statements for the three year period ending December 31, [____], promptly after their
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completion, but in no event later than December 31, [____], to determine whether the performance metrics set forth in paragraphs (i) and (ii) have been achieved for purposes of this Section 3.

(i) **[Metric 1] Metric.** The number of Restricted Stock Units earned by the Grantee as a result of the achievement of the performance metric set forth in the table below shall be determined as described in the table below. In no event will the number of Restricted Stock Units earned as a result of the achievement of the performance metric set forth in the table below exceed [____]% of the [Metric 1]-Linked Target Portion (the “Maximum [Metric 1]-Linked Award”). For purposes hereof, “[Metric 1]-Linked Target Portion” means [____] percent ([____]%) of the Target Award.

[Metric 1] for the Fiscal Years Ending December 31, [____], [____] and [____]*	Number of Restricted Stock Units
Less than \$[A]	0
\$[A]	[____]% of the [Metric 1]-Linked Target Portion (the “[Metric 1]-Linked Threshold Award”)
\$[A+1] - \$[B-1]	Percentage determined pursuant to Section 3(a)(iii)(A) below
\$[B]	[____]% of the [Metric 1]-Linked Target Portion
\$[B+1] - \$[C-1]	Percentage determined pursuant to Section 3(a)(iii)(A) below
\$[C] or more	[____]% of the [Metric 1]-Linked Target Portion

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

(ii) **[Metric 2] Metric.** The number of Restricted Stock Units earned by the Grantee as a result of the achievement of the performance metric set forth in the table below shall be determined as described in the table below. In no event will the number of Restricted Stock Units earned as a result of the achievement of the performance metric set forth in the table below exceed [____]% of the [Metric 2]-Linked Target Portion (the “Maximum [Metric 2]-Linked Award”). For purposes hereof, “[Metric 2]-Linked Target Portion” means [____] percent ([____]%) of the Target Award.

[Metric 2] for the Fiscal Years Ending December 31, [____],[____] and [____]*	Number of Restricted Stock Units
Less than \$[X]	0
\$[X]	[____]% of the [Metric 2]-Linked Target Portion (the “[Metric 2]-Linked Threshold Award”)
\$[X+1] - \$[Y-1]	Percentage determined pursuant to Section 3(a)(iii)(B) below
\$[Y]	[____]% of the [Metric 2]-Linked Target Portion
\$[Y+1] - \$[Z-1]	Percentage determined pursuant to Section 3(a)(iii)(B) below
\$[Z] or more	[____]% of the [Metric 2]-Linked Target Portion

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

(iii) **Interpolation.**

(A) **In Relation to [Metric 1] Metric.** To the extent that the Company’s [Metric 1] for the fiscal years ending December 31, [____],[____] and [____] (“[Year Range] [Metric 1]”) are more than \$[A] but less than \$[B], then the number of Restricted

Stock Units earned by the Grantee pursuant to Section 3(a)(i) above shall equal the sum of (I) the [Metric 1]-Linked Threshold Award, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the [Metric 1]-Linked Target Portion and the [Metric 1]-Linked Threshold Award, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 1] exceeded \$[A], and the denominator of which is \$[B-A]. To the extent that the [Year Range] [Metric 1] are more than \$[B] but less than \$[C], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(i) above shall equal the sum of (I) the [Metric 1] Target Portion, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the Maximum [Metric 1]-Linked Award and the [Metric 1]-Linked Target Portion, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 1] exceeded \$[B], and the denominator of which is \$[C-B].

(B) In Relation to [Metric 2] Metric. To the extent that the Company's [Metric 2] for the fiscal years ending December 31, [____], [____] and [____] ("Year Range" [Metric 2]) is more than \$[X] but less than \$[Y], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(ii) above shall equal the sum of (I) the [Metric 2]-Linked Threshold Award, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the [Metric 2]-Linked Target Portion and the [Metric 2]-Linked Threshold Award, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 2] exceeded \$[X], and the denominator of which is \$[Y-X]. To the extent that the [Year Range] [Metric 2] is more than \$[Y] but less than \$[Z], then the number of Restricted Stock Units earned by the Grantee pursuant to Section 3(a)(ii) above shall equal the sum of (I) the [Metric 2]-Linked Target Portion, plus (II) that number of Restricted Stock Units equal to the product of (x) the positive difference between the Maximum [Metric 2]-Linked Award and the [Metric 2]-Linked Target Portion, multiplied by (y) a fraction, the numerator of which is the amount by which the [Year Range] [Metric 2] exceeded \$[Y], and the denominator of which is \$[Z-Y].

(iv) Effect of Failure to Achieve Both Performance Metrics. For the avoidance of doubt, in the event the Administrator determines both that the Company's [Metric 1] for the fiscal years ending December 31, [____], [____] and [____] is less than \$[A] and that the Company's [Metric 2] for the fiscal years ending December 31, [____], [____] and [____] is less than \$[X], no portion of this Award shall be earned by the Grantee and the entire Award shall automatically and without notice terminate, be forfeited and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

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

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

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

(b) Termination for any Reason Other Than Death or Disability. If the Grantee's employment with the Company and/or its Subsidiaries terminates for any reason other than the Grantee's death or disability, the entire Award shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

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

For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events: (i) conduct by the Grantee constituting a material act of willful misconduct in connection with the performance of Grantee's duties to the Company or any of its Subsidiaries, including, without limitation, misappropriation of funds or property of the Company or any of its Subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or (ii) the commission by the Grantee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Grantee that would reasonably be expected to result in material injury to the Company or any of its Subsidiaries and affiliates if the Grantee were retained in the Grantee's position; or (iii) willful and deliberate material non-performance by the Grantee of the Grantee's duties to the Company (other than by reason of the Grantee's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Company; or (iv) a breach by the Grantee of any of the provisions contained in any agreements between the Grantee and the Company relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; or (v) a material violation by the Grantee of the Company's employment policies which has continued following written notice of such violation from the Company; or (vi) willful failure by the Grantee to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction by the Grantee of, or the willful failure by the Grantee to preserve, documents or other materials known by the Grantee to be relevant to such investigation, or the willful inducement of others by the Grantee to fail to cooperate or to produce documents or other materials in

connection with such investigation. For purposes of clauses (i), (iii) and (vi) of the foregoing sentence, no act, or failure to act, on the Grantee's part shall be deemed "willful" unless done, or omitted to be done, by the Grantee without reasonable belief that the Grantee's act or failure to act, was in the best interest of the Company and its Subsidiaries and affiliates.

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

5. Issuance of Shares of Stock. As soon as practicable following the earlier of the Vesting Date or the date the Restricted Stock Units become vested in accordance with Section 4(a) or 4(c) (but in no event later than two and one half months after the end of the year in which the earliest of such dates occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units earned by the Grantee that have vested pursuant to Section 3 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares, including voting and dividend rights, and such shares of Stock shall not be restricted by the provisions hereof.

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

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

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

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

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

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

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

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

INSULET CORPORATION

By: Patrick J. Sullivan

Title: Chief Executive Officer

Grantee Name
Grantee Acceptance Date

PERFORMANCE VESTING RESTRICTED STOCK UNIT AGREEMENT

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

Name of Grantee:

No. of Restricted Stock Units Granted:

Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants an award under Section 8 of the Plan of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value \$0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan. The Award, and the Restricted Stock Units included therein, are governed by this Performance Vesting Restricted Stock Unit Agreement (this "Agreement") and the Plan, as further described in Section 6 below.

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

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

3. Vesting of Restricted Stock Units. The entire Award shall be earned by the Grantee and shall vest on the date the Administrator makes a determination that all [Number of Metrics] ([]) of the performance metrics set forth below have been achieved (the "Determination Date"), provided that the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such date. For purposes hereof, "Service Relationship" means any relationship as a full-time employee, part-time employee or director of the Company or any Subsidiary or any successor entity (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual's status changes from full-time employee to part-time employee or Non-Employee Director). The determination of whether each performance metric has been achieved shall be made by the Administrator, in its sole discretion, with reference to such written and/or oral reports as the Administrator may request and receive from the Company's management, employees and/or contractors regarding the matters addressed by the performance criteria. The Administrator shall make such determination prior to (if applicable) or promptly after December 31, [], but in no event later than February 15, [], provided that, at any time prior to such date, the Administrator may at any time make a determination that it is no longer possible for one or more of the performance metrics set forth below to be achieved.

Performance Metric 1	[Description of Performance Metric 1]
Performance Metric 2	[Description of Performance Metric 2]
Performance Metric 3	[Description of Performance Metric 3]

For the avoidance of doubt, (a) in no event will the total number of Restricted Stock Units earned by the Grantee or vesting hereunder exceed 100% of the Award (regardless of whether each of the [Number of Metrics] ([]) performance metrics set forth above have been achieved), and (b) in the event the Administrator makes a determination, on the Determination Date, that one or more of the performance metrics have not been achieved (or in the event that the Administrator at any time makes a determination that it is no longer possible for one or more of the performance metrics to be achieved), no portion of this Award shall be earned by the Grantee or vest and the entire Award shall automatically and without notice terminate, be forfeited and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

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

(a) Termination Due to Death or Disability. If the Grantee's Service Relationship terminates by reason of the Grantee's death or disability (as determined by the Administrator) prior to December 31, [], the entire Award shall be deemed earned by the Grantee and shall become fully vested on the date of such termination. If the Grantee's Service Relationship terminates by reason of the Grantee's death or disability (as determined by the Administrator) on or after December 31, [], a determination shall be made as provided in Section 3 as to whether the Grantee has earned the Award, and the entire Award, if so earned, shall become fully vested and nonforfeitable on the Determination Date.

(b) Termination for any Reason Other Than Death or Disability. If the Grantee's Service Relationship with the Company and its Subsidiaries terminates for any reason other than the Grantee's death or disability, the entire Award shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns or personal representatives will thereafter have any further rights or interests in such forfeited Restricted Stock Units.

(c) Termination in Connection with a Sale Event. Notwithstanding Section 4(b) above, if the Grantee's Service Relationship with the Company or its Subsidiaries is terminated by the Company without Cause or by the Grantee for Good Reason, in either case within 24 months after a Sale Event (such event, a "Qualifying Termination"), the Award shall vest as follows: (i) if the Qualifying Termination occurs prior to December 31, [], the entire Award shall be deemed earned by the Grantee and shall become fully vested and nonforfeitable as of the date of the Qualifying Termination and (ii) if the Qualifying Termination occurs on or after December 31, [], a determination shall be made as provided in Section 3 as to whether the Grantee has earned the Award, and the entire Award, if so earned, shall become fully vested and nonforfeitable on the Determination Date.

For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events: (i) conduct by the Grantee constituting a material act of willful misconduct in connection with the performance of Grantee's duties to the Company or any of its Subsidiaries, including, without limitation, misappropriation of funds or property of the Company or any of its Subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or (ii) the commission by the Grantee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Grantee that would reasonably be expected to result in material injury to the Company or any of its Subsidiaries and affiliates if the Grantee were retained in the Grantee's position; or (iii) willful and deliberate material non-performance by the Grantee

of the Grantee's duties to the Company (other than by reason of the Grantee's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Company; or (iv) a breach by the Grantee of any of the provisions contained in any agreements between the Grantee and the Company relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; or (v) a material violation by the Grantee of the Company's employment policies which has continued following written notice of such violation from the Company; or (vi) willful failure by the Grantee to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction by the Grantee of, or the willful failure by the Grantee to preserve, documents or other materials known by the Grantee to be relevant to such investigation, or the willful inducement of others by the Grantee to fail to cooperate or to produce documents or other materials in connection with such investigation. For purposes of clauses (i), (iii) and (vi) of the foregoing sentence, no act, or failure to act, on the Grantee's part shall be deemed "willful" unless done, or omitted to be done, by the Grantee without reasonable belief that the Grantee's act or failure to act, was in the best interest of the Company and its Subsidiaries and affiliates.

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

5. Issuance of Shares of Stock. As soon as practicable following the earlier of the Determination Date or the date the Restricted Stock Units become vested in accordance with Section 4(a) or 4(c) (but in no event later than two and one half months after the end of the year in which the earliest of such dates occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units earned by the Grantee that have vested pursuant to Section 3 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares, including voting and dividend rights, and such shares of Stock shall not be restricted by the provisions hereof.

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

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

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

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

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

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

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

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

INSULET CORPORATION

By: Patrick J. Sullivan

Title: Chief Executive Officer

Grantee Name

Grantee Acceptance Date

TIME VESTING RESTRICTED STOCK UNIT AGREEMENT
UNDER THE INSULET CORPORATION THIRD
AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee:

No. of Restricted Stock Units Granted:

Grant Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Insulet Corporation (the "Company") hereby grants a deferred stock award consisting of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock, par value \$0.001 per share (the "Stock") of the Company, subject to the restrictions and conditions set forth herein and in the Plan.

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award. Any consideration due to the Company on the issuance of the Award has been deemed to be satisfied by past services rendered by the Grantee to the Company.
 2. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Section 3 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.
 3. Vesting of Restricted Stock Units. The Restricted Stock Units shall vest one-third on the first anniversary of the date of grant and one-third on each of the second and third anniversaries of the date of grant, provided in each case that the Grantee is then, and since the Grant Date has continuously been, employed by the Company or its Subsidiaries. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.
 4. Termination of Employment. If the Grantee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated prior to the vesting or termination of this Award, the following shall occur:
 - (a) Termination Due to Death or Disability. If the Grantee's employment terminates by reason of the Grantee's death or disability (as determined by the Administrator), this Award shall become fully vested on the date of such employment termination.
 - (b) Termination for any reason other than Death or Disability. If the Grantee's employment with the Company and its Subsidiaries terminates for any reason other than the Grantee's death or disability prior to the satisfaction of the vesting conditions set forth in Section 3 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate, be forfeited and be and become null and void, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.
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(c) Termination in connection with a Sale Event. Notwithstanding Section 4(b) above, if the Grantee's employment with the Company or its Subsidiaries is terminated by the Company without Cause within 24 months after a Sale Event, this Award shall become fully vested as of the date of such termination of employment.

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

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

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

7. Transferability. This Agreement is personal to the Grantee, is non-assignable, and is not transferable in an any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

8. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause

the required minimum tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Grantee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

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

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

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

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

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

INSULET CORPORATION

By: Patrick J. Sullivan
Title: Chief Executive Officer

Grantee Name
Grantee Acceptance Date

Appendix

Country specific terms and conditions for non-US Participants

This Appendix includes additional terms and conditions that govern the Award granted to the Grantee under the Plan if the Grantee resides in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and this Agreement.

GERMANY

No public offering in Germany: Award Recipients may not offer the shares of common stock acquired pursuant to an award under the Plan publicly in Germany. Shares may only be sold in Germany in accordance with the restrictions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

No investment advice: The Company does not offer investment advice in respect of the Awards. Please consult your personal investment and tax advisor with respect to the Awards.

Tax Obligations: The following provisions supplement Section 8 of the Agreement:

Any reference to "federal income tax(es)" or "federal tax(es)" shall comprehend German individual income and ancillary taxes (*Einkommensteuer, Solidaritätszuschlag, Kirchensteuer*) to be withheld by the Company or, if different, the legal entity that qualifies as the employer (*Arbeitgeber*) for German wage tax (*Lohnsteuer*). The provisions in Section 8 (as amended by the foregoing sentence) shall apply mutatis mutandis to the employee's share of contributions to the social security system (*Sozialversicherungsbeiträge*, encompassing esp. contributions to the *Krankenversicherung, Pflegeversicherung, Rentenversicherung* and *Arbeitslosenversicherung*).

The Grantee irrevocably agrees to indemnify and keep indemnified the Company and/or the employer (*Arbeitgeber*) for German wage tax purposes for any secondary liability in relation to tax or social security contributions under the German wage tax / withholding at source system in respect of the vesting of and the acquisition of any Shares.

If the employer for German wage tax purposes is a legal entity different from the Company, the Grantee shall notify the employer of the purchase / transfer to the Grantee of any shares of Stock upon the vesting of any shares of Stock.

UNITED KINGDOM

Termination of employment: The following provisions supplement Section 3 of the Agreement:

For the purposes of this Agreement, the date of termination of the Grantee's employment shall be the date the Grantee is no longer actively providing services to the Company or one of its Subsidiaries (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any), and unless otherwise determined by the Administrator, (i) the exercisability and/or vesting schedule of this Award will not continue during or be extended by any notice period (e.g., the Grantee's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); and (ii) the period (if

any) during which the Grantee may exercise this Award after the termination of the Grantee's employment will commence on the date the Grantee ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where the Grantee is employed or terms of the Grantee's employment agreement, if any; the Administrator shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for the purposes hereof (including whether the Grantee may still be considered providing service while on a leave of absence).

Tax Obligations. The following provisions supplement Section 8 of the Agreement:

If payment or withholding of the applicable income tax (including the Employer's NIC Liability, as defined below) is not made within ninety (90) days of the event giving rise to such liability to tax (the "Due Date") or such other period specified in section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 ("ITEPA"), the amount of any uncollected income tax will constitute a loan owed by Grantee to the relevant employer entity ("Employer"), effective on the Due Date. Grantee agrees that the loan will bear interest at the then-current official rate of Her Majesty's Revenue and Customs ("HMRC"), it will be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 8 of the Agreement and Section 15 of the Plan.

Notwithstanding the foregoing, if Grantee is a director or executive officer of the Company (within the meaning of Paragraph 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), Grantee will not be eligible for such a loan to cover the income taxes. In the event that Grantee is such a director or executive officer and the income taxes are not collected from or paid by Grantee by the Due Date, the amount of any uncollected income taxes will constitute a benefit to Grantee on which additional income tax and national insurance contributions (including the Employer's NIC Liability, as defined below) will be payable. Grantee will be responsible for reporting and paying any income tax and national insurance contributions (including the Employer's Liability, as defined below) due on this additional benefit directly to HMRC under the self-assessment regime.

The Grantee irrevocably agrees to indemnify and keep indemnified the Company and/or the Employer for any liability in relation to income tax under the U.K. Pay As You Earn system, including Employer's NIC Liability in respect of the vesting of the Award, the acquisition and disposal of any Shares.

Joint Election. As a condition of Grantee's participation in the Plan and the vesting of the Award, Grantee agrees to accept any liability for secondary Class 1 national insurance contributions which may be payable by the Company and/or the Employer in connection with the vesting of the Award (the "Employer's NIC Liability"). Without prejudice to the foregoing, Grantee agrees to enter into a joint election with the Company and the Employer, the form of such joint election being formally approved by HMRC (the "Joint Election"), and any other required consent or elections. Grantee further agrees to enter into such other Joint Elections as may be required between Grantee and any successor to the Company and/or the Employer. Grantee further agrees that the Company and/or the Employer may collect the Employer's NIC Liability from Grantee by any of the means set forth in Section 8 of the Agreement and Section 15 of the Plan.

If Grantee does not enter into the Joint Election prior to the vesting of the Award, Grantee will forfeit the Award and any Shares will be returned to the Company at no cost to the Company, without any liability to the Company and/or the Employer.

INCENTIVE STOCK OPTION AGREEMENT

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

Name of Optionee:
 No. of Option Shares:
 Option Exercise Price per Share:
 Grant Date:
 Expiration Date:

Pursuant to the Insulet Corporation Third Amended and Restated 2007 Stock Option and Incentive Plan as amended through the date hereof (the “Plan”), Insulet Corporation (the “Company”) hereby grants to the Optionee named above an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value \$0.001 per share (the “Stock”), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be vested and exercisable as follows: 25% of the number of Option Shares set forth above shall become vested and exercisable on the first anniversary of the Grant Date and the remaining number of Option Shares set forth above shall become vested and exercisable in 8 equal quarterly installments thereafter so long as the Optionee continues to have a Service Relationship with the Company or a Subsidiary (as defined in the Plan) on such vesting dates.

For purposes hereof, “Service Relationship” means any relationship as a full-time employee, part-time employee or director of the Company or any Subsidiary or any successor entity (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual’s status changes from full-time employee to part-time employee or Non-Employee Director). Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the

event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's Service Relationship terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier.

(c) Termination for Cause. If the Optionee's Service Relationship terminates for Cause (as defined below), any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect.

(d) Other Termination. If the Optionee's Service Relationship terminates for any reason other than the Optionee's death, the Optionee's disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

(e) Termination in connection with a Sale Event. If the Optionee's Service Relationship is terminated by the Company without Cause or by the Optionee for Good Reason in either case within 24 months after a Sale Event, this Stock Option shall immediately become 100% vested and exercisable as of the date of such termination.

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

For purposes of this Agreement, "Good Reason" shall mean that the Optionee has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (i) a material diminution in Optionee's responsibilities, authority or duties; or (ii) a material reduction in Optionee's then current base salary except for across-the-board salary reductions similarly affecting all or substantially all similarly situated employees; or (iii) the relocation of the Company offices at which the Optionee is principally employed to a location more than 30 miles from such offices. For purposes of clause (i) hereof, a change in the reporting relationship, or a change in a title will not, by itself, be sufficient to constitute a material diminution of responsibilities, authority or duty. "Good Reason Process" shall mean: (i) Optionee reasonably determines in good faith that a "Good Reason" condition

has occurred; (ii) Optionee notifies the Company in writing of the occurrence of the Good Reason condition within 30 days of the occurrence of such condition; (iii) Optionee cooperates in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) Optionee terminates his Service Relationship within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

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

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

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.

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

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

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

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

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

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

INSULET CORPORATION

By: Patrick J. Sullivan

Title: Chief Executive Officer

Optionee Name
Optionee Acceptance Date

CERTIFICATION

I, Patrick J. Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Insulet Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Patrick J. Sullivan

Patrick J. Sullivan
Chief Executive Officer

Date: May 8, 2017

CERTIFICATION

I, Michael L. Levitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Insulet Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael L. Levitz

Michael L. Levitz
Chief Financial Officer

Date: May 8, 2017

**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, 2017, as filed with the Securities and Exchange Commission (the "Report") that, to their knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick J. Sullivan

Patrick J. Sullivan
Chief Executive Officer

Date: May 8, 2017

/s/ Michael L. Levitz

Michael L. Levitz
Chief Financial Officer

Date: May 8, 2017

