INSULET CORP
Form S-3ASR
June 22, 2011

As filed with the Securities and Exchange Commission on June 22, 2011
Registration Statement No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
INSULET CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**04-3523891**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

9 Oak Park Drive
Bedford, Massachusetts 01730
(781) 457-5000
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Duane DeSisto
President and Chief Executive Officer
Insulet Corporation
9 Oak Park Drive
Bedford, Massachusetts 01730
(781) 457-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Raymond C. Zemlin, Esq.
James P. Barri, Esq.
Goodwin Procter LLP
Exchange Place
Boston, Massachusetts 02109
(617) 570-1000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. þ

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered/Proposed Maximum Offering Price per Share/ Proposed Maximum Aggregate Offering Price/Amount of Registration Fee(1)**
Convertible Senior Notes due 2016	
Common Stock, par value $0.001 per share, underlying Convertible Senior Notes due 2016(2)	
Series A Junior Participating Cumulative Preferred Stock Purchase Rights(3)	

(1) The amount to be registered consists of an unspecified amount of the securities of each identified class as may from time to time be offered at indeterminate prices. The registrant is relying on Rule 456(b) and Rule 457(r) under the Securities Act of 1933, as amended, to defer payment of all of the registration fee.

(2) Includes shares of common stock issuable upon conversion of the registered convertible notes. No separate consideration will be received for any shares of common stock so issued upon conversion. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with stock splits, stock

dividends, recapitalizations or similar capital adjustments.

(3) Includes the rights to purchase Series A Junior Participating Cumulative Preferred Stock, par value $0.001 per share, of the registrant that are attached to all shares of common stock issued pursuant to the terms of the registrant s Shareholder Rights Agreement, dated November 14, 2008, as amended on September 25, 2009. Until the occurrence of certain prescribed events, the rights are not exercisable, are evidenced by the certificates for the common stock and will be transferred with and only with such common stock. Because no separate consideration is paid for the rights, the registration fee therefore is included in the fee for common stock.

The information in this preliminary prospectus is not complete and may be changed. A registration statement relating to the notes has become effective under the Securities Act of 1933, as amended. This preliminary prospectus is not an offer to sell the notes and it is not soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated June 22, 2011

Preliminary prospectus

$110,000,000
% Convertible Senior Notes due 2016

Interest payable June 15 and December 15

We are offering $110,000,000 principal amount of our % Convertible Senior Notes due 2016, or the notes. The notes will bear interest at a rate of % per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2011. The notes will mature on June 15, 2016.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding March 15, 2016 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2011 (and only during such calendar quarter), if the last reported sale price per share of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is equal to or greater than 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period, or the measurement period, in which the trading price (as defined below) per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if we call any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events described below. On or after March 15, 2016 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus.

The conversion rate will initially be shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

We may not redeem the notes prior to June 20, 2014. We may redeem the notes, at our option, in whole or in part, (1) on or after June 20, 2014 if the last reported sale price per share of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending within five trading days prior to the date on which we provide notice of redemption and (2) on or after June 20, 2015 regardless of the sale price condition described above, in each case at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes.

If we undergo a fundamental change, holders may require us to purchase for cash all or part of their notes at a purchase price equal to 100% of the principal amount of the notes to be purchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change purchase date.

The notes will be our senior unsecured obligations and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to any of our indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future liabilities of our subsidiaries.

We do not intend to apply to list the notes on any securities exchange or any automated dealer quotation system. Our common stock is listed on The NASDAQ Global Market under the symbol PODD. The last reported sale price of our common stock on The NASDAQ Global Market on June 21, 2011 was $20.47 per share.

Concurrently with this offering of the notes, certain of our stockholders are offering 1,153,420 shares of our common stock in an underwritten public offering. Neither offering is contingent on the completion of the other.

See Risk factors beginning on page 11 for a discussion of certain risks that you should consider in connection with an investment in the notes.

	Per note	Total
Public offering price(1)	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) Plus accrued interest, if any, from June , 2011

We have granted the underwriter the right to purchase, exercisable within a 30-day period, up to an additional $16,500,000 principal amount of notes, solely to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about June , 2011.

Sole book-running manager

J.P. Morgan

June , 2011

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We have not and the underwriter has not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or any relevant free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriter take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, the documents incorporated by reference in this prospectus, and in any free writing prospectus that we have authorized for use in connection with this offering, is accurate only as of the date of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. To the extent there is a conflict between the information contained in this prospectus, on the one hand, and the information contained in any document incorporated by reference that was filed with the Securities and Exchange Commission, or the SEC, before the date of this prospectus, on the other hand, you should rely on the information in this prospectus. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

You should read this prospectus, the documents incorporated by reference in this prospectus, and any free writing prospectus that we have authorized for use in connection with this offering, in their entirety before making an investment decision. You should also read and consider the information in the documents to which we have referred you in the sections of this prospectus entitled Where you can find more information and Incorporation of certain documents by reference.

Unless expressly stated otherwise, all references in this prospectus to the Company, Insulet, we, us, our or similar references mean Insulet Corporation and its subsidiaries on a consolidated basis. References to Neighborhood Diabetes refer to Neighborhood Holdings, Inc., a Delaware corporation, and its subsidiaries on a consolidated basis, which we acquired on June 1, 2011 as more thoroughly described in Prospectus summary Recent developments The Acquisition and The Acquisition.

We have registered the trademarks OMNIPOD and the OMNIPOD design with the U.S. Patent and Trademark Office on the Principal Register. We have applied with the U.S. Patent and Trademark Office to register the trademark INSULET. The INSULET mark is subject to an ongoing opposition proceeding. This prospectus also includes or incorporates by reference trademarks, service marks and trade names of other companies.

Cautionary statement regarding forward-looking statements

This prospectus and the documents incorporated by reference herein and therein contain, or will contain, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including those related to our recently announced acquisition of Neighborhood Diabetes. We may, in some cases, use words such as anticipate, believe, contemplate, could, estimate, expect, intend, may, plan, predict, proj will, would or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to:

- our historical operating losses;
- our dependence on the OmniPod System;
- our ability to achieve and maintain market acceptance of the OmniPod System;
- our ability to increase customer orders and manufacturing volume;
- our ability to decrease manufacturing costs and improve our margins;
- adverse changes in general economic conditions;
- potential adverse effects of healthcare reform legislation;
- our ability to raise additional funds in the future;
- our ability to anticipate and effectively manage risks associated with doing business internationally, particularly in China;
- our dependence on third-party manufacturers and suppliers;

our ability to obtain favorable reimbursement from third-party payors for the OmniPod System and potential adverse changes in reimbursement rates or policies relating to the OmniPod;

potential adverse effects resulting from competition;

technological innovations adversely affecting our business;

potential termination of our license to incorporate a blood glucose meter into the OmniPod System;

our ability to protect our intellectual property and other proprietary rights;

conflicts with the intellectual property of third parties;

adverse regulatory or legal actions relating to the OmniPod System;

the potential violation of federal or state laws prohibiting kickbacks and false and fraudulent claims or adverse effects of challenges to or investigations into our practices under these laws;

product liability lawsuits that may be brought against us;

unfavorable results of clinical studies relating to the OmniPod System or the products of our competitors;

our ability to expand and maintain our customer base;

our ability to attract and retain key personnel;

our ability to manage our growth;

potential adverse effects of any acquisitions or investments;

our ability to maintain compliance with the restrictions and covenants related to our indebtedness;

our ability to successfully maintain effective internal controls;

our ability to successfully manage and integrate the business acquired from Neighborhood Diabetes, the acquisition of which is described in Prospectus summary Recent developments The Acquisition and The Acquisition ;

our ability to obtain consent and waivers to change of control provisions in Neighborhood Diabetes agreements with certain of its key partners;

- our ability to successfully compete in the lines of business in which Neighborhood Diabetes is engaged that are new to us;

- the volatility of the price of our common stock;

- and other risks and uncertainties described in Risk factors, including those related to the acquisition of Neighborhood Diabetes and the risks related to the business of Neighborhood Diabetes, and in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on March 10, 2011.

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. You should not place undue reliance on these forward-looking statements because such statements speak only as to the date when made. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

Prospectus summary

This summary highlights information contained elsewhere in this prospectus or incorporated by reference herein. Because this section is only a summary, it does not contain all of the information that may be important to you or that you should consider before making an investment decision. We encourage you to read this entire prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before making an investment decision.

Our business

We are a medical device company that develops, manufactures and markets an innovative, discreet and easy-to-use insulin infusion system for people with insulin-dependent diabetes. Our proprietary OmniPod Insulin Management System, or OmniPod System, which consists of our OmniPod disposable insulin infusion device and our handheld, wireless Personal Diabetes Manager, is the only commercially-available insulin infusion system of its kind. 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, provide for virtually pain-free automated cannula insertion, communicate wirelessly and integrate a blood glucose meter. We believe that the OmniPod System s unique proprietary design offers significant lifestyle benefits to people with insulin-dependent diabetes.

The U.S. Food and Drug Administration, or the FDA, approved the OmniPod System in January 2005. In October 2005, we shipped our first commercial OmniPod System. We have progressively expanded our marketing efforts from an initial focus in the Eastern United States to having availability of the OmniPod System in the entire United States. In January 2010, we entered into a five year distribution agreement with Ypsomed Distribution AG, or Ypsomed, to become the exclusive distributor of the OmniPod System in 11 countries, subject to approved reimbursement. Through our partnership with Ypsomed, the OmniPod System is now available in seven markets, namely Germany, the United Kingdom, France, the Netherlands, Sweden, Norway and Switzerland. We expect that Ypsomed will begin distribution of the OmniPod System, subject to approved reimbursement, in the other markets under the agreement in the second half of 2011 and 2012. In February 2011, we entered into a distribution agreement with GlaxoSmithKline Inc., or GSK, to become the exclusive distributor of the OmniPod System in Canada. We expect that GSK will begin distributing the OmniPod System in Canada, subject to approved reimbursement, in the next few months. We focus our sales initiatives towards key diabetes practitioners, academic centers and clinics specializing in the treatment of diabetes patients, as well as individual diabetes patients. In May 2011, we submitted a Form 510K with the FDA to request approval of our next generation OmniPod System. The new OmniPod is approximately one-third smaller in size, one-quarter lighter in weight and one-third less expensive for us to produce. Once approved, we expect to transition our customer base over a six to twelve month period to the next generation OmniPod System.

On May 9, 2011, we reported our financial results for the period ended March 31, 2011. During the three months ended March 31, 2011, our revenue increased 36% to $28.3 million, compared to $20.8 million for the three months ended March 31, 2010. Gross profit for the three months ended March 31, 2011 was $13.5 million, representing a 48% gross margin, compared to a gross profit of $8.4 million, or a 40% gross margin, for the three months ended March 31, 2010.

Operating loss for the three months ended March 31, 2011 was $7.3 million, a 32% improvement compared to an operating loss of $10.7 million for the three months ended March 31, 2010. Total operating expenses were $20.8 million for the three months ended March 31, 2011, compared to $19.1 million for the three months ended March 31, 2010. Net interest expense decreased to $2.6 million in the first quarter of 2011, compared to $3.8 million in the first quarter of 2010, as a result of the termination of a facility agreement in the fourth quarter of 2010. Net loss for the first quarter of 2011 was $9.8 million, or $0.22 per share, compared to a net loss of $14.5 million, or $0.38 per share, for the first quarter of 2010.

Recent developments

The Acquisition

The Acquisition Agreement

On June 1, 2011, we, Nectar Acquisition I Corporation, a Delaware corporation and our wholly owned subsidiary (the Merger Sub), Neighborhood Holdings, Inc., a Delaware corporation (Neighborhood Diabetes), and the subsidiaries of Neighborhood Diabetes executed and consummated an Agreement and Plan of Merger (the Acquisition Agreement), pursuant to which we acquired Neighborhood Diabetes. The acquisition was effectuated by means of a merger of the Merger Sub with and into Neighborhood Diabetes (the Acquisition), with Neighborhood Diabetes surviving as our wholly owned subsidiary. Under the terms of the Acquisition Agreement, we acquired all of the outstanding preferred and common shares of Neighborhood Diabetes from its equity holders (the Sellers) for a purchase price of approximately $62.4 million, of which approximately $31.3 million was paid in cash at closing and approximately $24.4 million (or 1,197,631 shares) was paid in the form of our common stock, par value $0.001 per share (the Shares), subject to certain cash adjustments. See Unaudited pro forma condensed combined financial statements for more information related to the Acquisition purchase price.

In addition, $6.6 million in cash was held back by us at closing and placed in an escrow account to reimburse us and our affiliates for certain potential future claims for which they are entitled to be indemnified pursuant to the terms of the Acquisition Agreement. The term of the escrow is 12 months, after which any remaining amounts will be distributed to the Sellers if no claims are pending.

For more information regarding the Acquisition, including a description of the business of Neighborhood Diabetes, see The Acquisition, Risk Factors Risks related to the business of Neighborhood Diabetes and Risk Factors Risks related to the Acquisition.

Description of the business of Neighborhood Diabetes

Neighborhood Diabetes is a leading durable medical equipment, or DME, distributor specializing in direct to consumer sales of diabetes supplies. Based in Woburn, Massachusetts, with additional offices in Brooklyn, New York and Orlando, Florida, Neighborhood Diabetes serves more than 60,000 clients with Type 1 and Type 2 diabetes primarily in the northeast and southeast regions of the country with blood glucose testing supplies, insulin pumps, pump supplies and pharmaceuticals, among other supplies. More than 15,000 of Neighborhood Diabetes clients are insulin dependent with the majority of these clients using multiple daily injections, or MDI, therapy. We believe that Neighborhood Diabetes is one of the ten largest providers of diabetes products and supplies in the United States.

Neighborhood Diabetes delivers a differentiated high-touch service model to endocrinologists, insurers and clients, which supplements a comprehensive offering of diabetes management products with education, training and other support services. These services have been demonstrated to improve client adherence to their recommended therapy regimens, resulting in fewer long term complications and reduced costs of care. The value proposition for Neighborhood Diabetes to both doctors and insurers focuses on coupling a high level of client service with demonstrated cost reductions. This sales model has enabled Neighborhood Diabetes to drive increased referrals from a growing list of physician offices and insurers. The sales model has also created strong loyalty of its clients as clients enjoy being able to receive all of their diabetes supplies from one supplier.

Neighborhood Diabetes employs approximately 200 people across its three locations. The majority of these employees work in Neighborhood Diabetes reimbursement, pharmacy, billing and distribution areas. Clients place reorders either on monthly or quarterly cycles, depending on insurance coverage, for diabetes supplies which are then shipped or home delivered to the client. Neighborhood Diabetes has built a strong infrastructure in these areas that provide for adjudication of claims as either DME or through pharmacy benefits. Claims are adjudicated under private insurers, Medicaid or Medicare.

Neighborhood Diabetes business model requires collaboration with physicians, medical device manufacturers, pharmaceutical distributors, private insurers and public insurers such as The Center for Medicare & Medicaid Services, or CMS, who we collectively refer to as partners. Neighborhood Diabetes net sales are primarily generated from distributing diabetes supplies and pharmaceuticals pursuant to agreements with its partners.

Neighborhood Diabetes strategy to increase its revenue is to grow its customer base through direct sales and indirect referrals from partners and cross-selling additional products such as testing supplies, pump supplies or insulin to its existing customers. For the fiscal year ended June 30, 2010, Neighborhood Diabetes had $54.8 million of net sales, an increase of 23% from $44.5 million for the fiscal year ended June 30, 2009. Neighborhood Diabetes is profitable, with operating income of $2.3 million and $2.5 million in the fiscal years ended June 30, 2010 and June 30, 2009, respectively. For the nine months ended March 31, 2011, Neighborhood Diabetes reported net sales of $46.9 million and operating income of $3.0 million, representing approximately 17% net sales and 108% operating income growth from the nine months ended March 31, 2010. As of March 31, 2011, Neighborhood Diabetes had total assets of $16.9 million. For more information regarding the business of Neighborhood Diabetes, see The Acquisition Description of the business of Neighborhood Diabetes.

Acquisition rationale

We believe that there is an opportunity to supply our customers with products such as test strips, sensors and insulin, in addition to providing OmniPods, and with its strong DME, pharmaceutical and Medicare operations, we believe Neighborhood Diabetes gives us critical infrastructure to take advantage of this opportunity. We expect that the Acquisition will increase our revenue and earnings growth as we begin providing the additional products that Neighborhood Diabetes distributes and the services it offers to our existing customers.

In addition, given the expected pending approval of our next generation OmniPod, the Acquisition immediately strengthens our back office processing capacity, a required investment in preparation for our expected domestic commercial expansion.

We believe that the Acquisition will:

- provide us with a full suite diabetes management product offering, including the OmniPod System, blood glucose testing supplies, continuous glucose monitoring sensors and insulin;
- accelerate our sales force expansion, improving overall reach, frequency and quality of communications with healthcare providers, insurers and customers;
- strengthen our back office support capabilities with an experienced reimbursement and support infrastructure capable of processing substantially more customer claims to support our growing customer base;
- significantly and immediately expand our access to insulin dependent multiple daily insulin injection patients who may be better served with the OmniPod System; and
- provide us with the pharmacy adjudication capabilities to drive incremental sales of high value consumables including insulin and other diabetes drug therapies.

Concurrent offering of common stock

As part of the terms of the Acquisition Agreement, we granted registration rights to the Sellers pursuant to which we agreed to register the resale of the Shares, which we did pursuant to a registration statement filed with the SEC on June 7, 2011, and facilitate an underwritten secondary offering for the Shares. Pursuant to these registration rights, concurrently with the offering of notes, the Sellers are making a public offering of 1,153,420 of the Shares pursuant to a prospectus supplement, or the Selling Stockholders Offering. We are obligated to pay all expenses incurred by us in complying with our obligations to register such shares in the Selling Stockholders Offering, including registration and filing fees, printing expenses, legal and accounting fees and expenses, and we are required to reimburse the Sellers for any underwriters discounts incurred in connection with the Selling Stockholders Offering. The offering of notes is not contingent upon the consummation of the Selling Stockholders Offering, and the Selling Stockholders Offering is not contingent upon the consummation of the offering of notes. We will not receive any of the proceeds from the Selling Stockholders Offering. We refer to the Acquisition, the Selling Stockholders Offering and the offering of the notes, including our intended use of the estimated proceeds therefrom as described in Use of proceeds, collectively as the Transactions.

Our corporate information

Insulet Corporation is a Delaware corporation formed in 2000. Our principal offices are located at 9 Oak Park Drive, Bedford, Massachusetts 01730, and our telephone number is (781) 457-5000. Our website address is http://www.insulet.com. We do not incorporate the information on, or accessible through, our website into this prospectus, and you should not consider it part of this prospectus.

The offering

The following summary describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the notes section of this prospectus contains a more detailed description of the terms and conditions of the notes. As used in this section, we, our, and us refer only to Insulet Corporation and not to its consolidated subsidiaries.

Issuer	Insulet Corporation, a Delaware corporation.
Securities	$110,000,000 principal amount of % Convertible Senior Notes due 2016 (plus up to an additional $16,500,000 principal amount to cover over-allotments).
Maturity	June 15, 2016, unless earlier purchased, redeemed or converted.
Interest	% per year. Interest will accrue from June , 2011 and will be payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2011. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under Description of the notes Events of default.
Conversion rights	Holders may convert their notes at their option prior to the close of business on the business day immediately preceding March 15, 2016, in multiples of $1,000 principal amount, only under the following circumstances: during any calendar quarter commencing after the calendar quarter ending on September 30, 2011 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is equal to or greater than 130% of the conversion price on each applicable trading day; during the five business day period after any five consecutive trading day period, or the measurement period, in which the trading price (as defined under Description of the notes Conversion rights Conversion upon satisfaction of trading price condition) per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or if we call any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the notes called for redemption; or upon the occurrence of specified corporate events described under Description of the notes Conversion rights Conversion upon specified corporate events. On or after March 15, 2016 until the close of business on the second scheduled trading day immediately preceding the maturity date,

holders may convert their notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The conversion rate for the notes is initially shares per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per share of common stock), subject to adjustment as described in this prospectus.

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each trading day in a 25 trading day observation period (as described herein). See Description of the notes Conversion rights Settlement upon conversion.

In addition, following certain corporate events that occur prior to the maturity date we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances as described under Description of the notes Conversion rights Adjustment to shares delivered upon conversion upon a make-whole fundamental change.

You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to you upon conversion of a note.

Redemption at our option

We may not redeem the notes prior to June 20, 2014. We may redeem the notes, at our option, in whole or in part, (1) on or after June 20, 2014 if the last reported sale price per share of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending within five trading days prior to the date on which we provide notice of redemption and (2) on or after June 20, 2015 regardless of the sale price condition described above, in each case at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes, which means that we are not required to redeem or retire the notes periodically.

We will give notice of redemption not less than 40 nor more than 60 calendar days before the redemption date to the trustee, the paying agent and each holder of notes. See Description of the notes Optional redemption.

Fundamental change	If we undergo a fundamental change (as defined in this prospectus under Description of the notes Fundamental change permits holders to require us to purchase notes), subject to certain conditions, holders may require us to purchase for cash all or part of their notes in principal amounts of $1,000 or a multiple thereof. The fundamental change purchase price will be equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date. See Description of the notes Fundamental change permits holders to require us to purchase notes.
Ranking	The notes will be our senior unsecured obligations and will rank: senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to any of our indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future liabilities of our subsidiaries. As of March 31, 2011 after giving effect to the Acquisition, we and our subsidiaries would have had total consolidated indebtedness of $94.4 million (none of which would have been secured), and our subsidiaries would have had $9.4 million of indebtedness and other liabilities (including trade payables but excluding intercompany obligations and liabilities of a type not required to be reflected on a balance sheet of such subsidiaries in accordance with U.S. generally accepted accounting principles, or GAAP) to which the notes would have been structurally subordinated. As of March 31, 2011 after giving effect to the Transactions, including issuance of the notes (assuming no exercise of the underwriter s option to purchase additional notes), our total consolidated indebtedness would have been $204.4 million. The indenture governing the notes will not limit the amount of debt that we or our subsidiaries may incur.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million (or $ million if the underwriter exercises its option to purchase additional notes in full), after deducting the underwriter s discounts and estimated offering expenses from the offering of the notes. In addition, pursuant to the terms of the Acquisition Agreement, we have agreed to reimburse the Sellers for underwriters discounts and pay expenses related to the Selling Stockholders Offering, which we estimate will amount to $1.5 million. We intend to use the net proceeds for general corporate purposes, including the possible repurchase of our outstanding 5.375% convertible senior notes due 2013.
Book-entry form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The

	Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Absence of a public market for the notes	The notes will be new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriter has advised us that it currently intends to make a market in the notes. However, it is not obligated to do so, and it may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.
Concurrent common stock offering	Concurrently with this offering of notes, the Sellers who received shares of our common stock as partial consideration in connection with the Acquisition are offering 1,153,420 shares of our common stock in the Selling Stockholders Offering. Neither offering is contingent on the completion of the other. We will not receive any proceeds from the sale of the shares of our common stock by the Sellers in the Selling Stockholders Offering, and pursuant to the terms of the Acquisition Agreement, we will pay all expenses that we incur in connection with the Selling Stockholders Offering, and reimburse the Sellers for underwriters discounts.
U.S. federal income tax consequences	For the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock, see Certain material U.S. federal income tax considerations.
Risk factors	See Risk factors beginning on page 11 of this prospectus and other information included or incorporated by reference in this prospectus, including the section entitled 1A. Risk Factors beginning on page 14 of our Annual Report on Form 10-K for the year ended December 31, 2010, for a discussion of the factors you should carefully consider before deciding to invest in the notes.
NASDAQ Global Market symbol for our common stock	Our common stock is listed on The NASDAQ Global Market under the symbol PODD.
Trustee, paying agent and conversion agent	Wells Fargo Bank, National Association

Summary historical and unaudited pro forma consolidated financial data

The summary historical consolidated financial data as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 are derived from our audited consolidated financial statements and the related notes, which are incorporated by reference herein. The summary historical consolidated financial data as of March 31, 2011 and for the three months ended March 31, 2010 and 2011 have been derived from our unaudited consolidated financial statements and the related notes, which are incorporated by reference herein. These unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, the unaudited summary historical consolidated financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or any future period. Historical results are not necessarily indicative of the results to be expected in the future.

On June 1, 2011, we acquired Neighborhood Diabetes. See The Acquisition. We derived our summary unaudited pro forma consolidated financial data from our pro forma financial statements set forth in this prospectus under the heading Unaudited pro forma condensed combined financial statements. The pro forma financial statements are based on our audited and unaudited historical consolidated financial statements and those of Neighborhood Diabetes, which are incorporated by reference in this prospectus, after giving effect to the Acquisition, and were prepared based upon the purchase method of accounting in accordance with GAAP and by applying the assumptions and adjustments described in the notes accompanying the pro forma financial statements. The summary unaudited pro forma consolidated financial data presented below gives effect to the Acquisition as if it occurred on January 1, 2010 for the pro forma statement of operations data, and as of March 31, 2011 for the pro forma balance sheet data.

The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the Acquisition, are factually supportable and, in the case of the pro forma statements of operations, have a recurring impact. The pro forma adjustments are preliminary, and the unaudited pro forma condensed consolidated combined financial statements are not necessarily indicative of the financial position or results of operations that may have actually occurred had the Acquisition taken place on the dates noted, or the future financial position or operating results of the combined company. The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. We expect to incur additional costs related to employee severance and other restructuring costs related to the Acquisition. We have not yet completed our assessment and do not have an estimate of these costs. These costs will be accounted for in accordance with Accounting Standards Codification 805 Business Combinations, or ASC 805. Under the purchase method of accounting, the total purchase price is allocated to the net tangible and intangible assets acquired and liabilities assumed, based on various estimates of their respective fair values.

The following summary information should be read in conjunction with Capitalization and Unaudited pro forma condensed combined financial statements. In addition, this information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto, each of which is incorporated by reference herein from our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2011, and Neighborhood Diabetes consolidated financial statements and the related notes thereto, which are incorporated by reference herein from our Current Report on Form 8-K, filed by us with the SEC on June 7, 2011.

	Year ended December 31,			Thee months ended March 31,		Year ended December 31
ept share and per share data)	2008	2009	2010	2010	2011	2010
ments of operations data:						
	$ 36,059	$ 66,032	$ 96,966	$ 20,807	$ 28,258	$ 156,175
	40,643	47,735	53,240	12,422	14,725	92,170
	(4,584)	18,297	43,726	8,385	13,533	64,005
:						
opment	13,104	13,231	16,566	3,847	4,589	16,566
strative	23,750	26,842	26,667	6,959	7,211	49,377
g	39,734	37,583	34,695	8,309	9,006	34,695
mpairment of assets	8,170		4,431			4,431
enses	84,758	77,656	82,359	19,115	20,806	105,069
	(89,342)	(59,359)	(38,633)	(10,730)	(7,273)	(41,064
	(5,429)	(12,985)	(22,526)	(3,761)	(2,575)	(22,993
e to common stockholders	$ (94,771)	$ (72,344)	$ (61,159)	$ (14,491)	$ (9,848)	$ (64,057
asic and diluted[1]	$ (3.43)	$ (2.43)	$ (1.54)	$ (0.38)	$ (0.22)	$ (1.57
number of share used in per share	27,611,003	29,727,106	36,607,899	37,888,258	45,583,242	40,805,530

	As of December 31,	As of	Pro forma as of

(in thousands)	2009	2010	March 31, 2011	March 31, 2011
Consolidated balance sheet data:				
Cash and cash equivalents	$ 127,996	$ 113,274	$ 104,488	$ 66,696
Working capital	134,491	123,507	116,740	81,622
Total assets	172,858	156,233	148,926	178,650
Long-term debt	89,136	69,433	70,857	71,398
Other long-term liabilities	1,999	1,619	1,492	1,581
Total stockholders equity	61,910	66,231	59,780	80,746

(1) See note 4 to our audited consolidated financial statements, which are incorporated by reference in this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2010, for an explanation of the method used to calculate basic and diluted net loss per common share.

Risk factors

An investment in our notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this prospectus before deciding whether to purchase the notes. In addition, you should carefully consider, among other things, the matters discussed under Item 1A. Risk Factors beginning on page 14 of our Annual Report on Form 10-K for the year ended December 31, 2010, and the information contained in all of the documents that are incorporated by reference herein. See Incorporation of documents by reference. The risks and uncertainties described below and incorporated by reference herein are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business, financial condition and results of operations would suffer. In that event, the value of the notes and the market or trading price of our common stock could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary statement regarding forward-looking statements.

Risks related to the business of Neighborhood Diabetes

In addition to the following risks, Neighborhood Diabetes business is subject to risks that apply to our existing business, including the risks associated with operating in a highly regulated environment that is subject to numerous laws relating to patient protection and the safe, effective and cost-efficient provision of medical products that are described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Competition among distributors in the diabetes testing supply and insulin pump and pump supply market, as well as the broader healthcare industry, is significant and could impair Neighborhood Diabetes ability to attract and retain clients.

Competition among distributors in the diabetes testing supply and insulin pump and pump supply market, which Neighborhood Diabetes serves, is significant. Neighborhood Diabetes competes with a wide variety of market participants, including national, regional and local distributors such as Liberty Medical Supply Inc., CCS Medical, Simplex Medical, Inc. and Edgepark Medical Supplies. Neighborhood Diabetes competitors include many profitable and well-established companies that have significantly greater financial, marketing and other resources than us.

Neighborhood Diabetes competes primarily on the basis of its high touch service model, which we believe distinguishes it from other market participants. To attract new clients and retain existing clients, Neighborhood Diabetes must continually provide quality services to its clients and assist healthcare providers and insurers with managing their costs. We cannot be sure that Neighborhood Diabetes will continue to remain competitive, nor can we be sure that we will be able to market Neighborhood Diabetes distribution capabilities and services to clients successfully.

Part of Neighborhood Diabetes ability to remain profitably competitive in winning and retaining business relies on its ability to maintain reimbursement rates and product supply costs in ranges that produce a positive sales margin. Decreased competition among product manufacturers and payors may impact Neighborhood Diabetes ability to achieve favorable terms. Neighborhood Diabetes largest payor partner, the Medicare Program, represented a significant portion of Neighborhood Diabetes net sales for the year ended June 30, 2010 and the nine months ended March 31, 2011. Medicare reimbursement rates are reset annually by CMS and are typically subject to downward pressure. Significant reimbursement decreases by Medicare without a corresponding ability to secure lower supply costs could materially and adversely affect operations.

Consolidation of payor entities within the markets Neighborhood Diabetes serves, as well as the consolidation of competitors, or suppliers could impair Neighborhood Diabetes ability to attract and retain clients.

Certain of our leading competitors are key suppliers of Neighborhood Diabetes.

Certain of our competitors, which manufacture and sell insulin pumps and related supplies that compete directly with our OmniPod System, are key suppliers of Neighborhood Diabetes. Revenue generated from these supply agreements accounted for a significant portion of Neighborhood Diabetes net sales for the year ended June 30, 2010 and the nine months ended March 31, 2011. In addition, Neighborhood Diabetes contracts with these competitors contain change of control clauses that entitle them to terminate their supply agreements as a result of the Acquisition. Any advantages that we gain by our ability to market our OmniPod System to Neighborhood Diabetes current patients could be outweighed by Neighborhood Diabetes inability to preserve its relationships with its key suppliers. If these suppliers terminate their supply agreements with Neighborhood Diabetes, or if they seek to renegotiate them on less attractive terms, Neighborhood Diabetes financial condition, margins and results of operations could be materially and adversely affected, which in turn could materially and adversely affect our business and results of operations.

Failure to retain key payor partners and their members, either as a result of economic conditions, increased competition or other factors, could result in significantly decreased revenues and decreased profitability of the Neighborhood Diabetes business.

If several of Neighborhood Diabetes payor partners terminate, cancel or do not renew their agreements with Neighborhood Diabetes or stop contracting with Neighborhood Diabetes for some of the products Neighborhood Diabetes provides because they accept a competing proposal or for any other reason, and Neighborhood Diabetes is not successful in generating new sales with comparable operating margins to replace the lost business, Neighborhood Diabetes revenues and results of operations could suffer, which in turn could materially and adversely affect our revenues and results of operations.

In addition, Neighborhood Diabetes business may not be immune to the general risks and uncertainties affecting many other companies, such as overall U.S. and non-U.S. economic and industry conditions, global economic slowdown or geopolitical events. Neighborhood Diabetes revenues and results of operations could suffer, for example, if employers drop healthcare coverage for some or all of their employees, including retirees, as a result of weakness in the economy, changes in law, rising costs or for any other reason, which in turn could materially and adversely affect our revenues and results of operations.

Government efforts to reduce healthcare costs and alter healthcare financing practices could lead to a decreased demand for Neighborhood Diabetes distribution services or to reduced profitability.

During the past several years, the U.S. healthcare industry has been subject to an increase in governmental regulation at both the federal and state levels. Efforts to control healthcare costs, including prescription drug costs, are underway at the federal and state government levels. The recently enacted healthcare reform legislation, along with associated proposed and interim final rule-making, may have an adverse impact on Neighborhood Diabetes business. For example, the federal Retiree Drug Subsidy is less valuable to Neighborhood Diabetes clients due to the change in tax treatment of the subsidy. As a result, Neighborhood Diabetes clients may choose to drop or limit retiree prescription drug coverage. Further, private plan sponsors may react to the new laws and the uncertainty surrounding them by reducing, foregoing or delaying engaging Neighborhood Diabetes to distribute products. We cannot accurately predict the complete impact of healthcare reform legislation, but it could lead to a decreased demand for Neighborhood Diabetes distribution services and other outcomes that could adversely impact Neighborhood Diabetes business and financial results, which in turn could materially and adversely impact our business and financial results.

In addition, the healthcare reform legislation significantly increased regulation of managed care plans and decreased reimbursement to Medicare managed care and fee-for-service programs. Some of these initiatives purport to, among other things, require that health plan members have greater access to drugs not included on a plan s formulary. Moreover, to alleviate budget shortfalls, states have reduced or frozen payments to Medicaid managed care plans. While we expect the U.S. Congress and state legislatures to continue to consider legislation affecting managed care plans, we cannot predict the extent of the impact of future legislation on Neighborhood Diabetes. However, these initiatives could limit business practices and impair Neighborhood Diabetes ability to serve its clients, which could materially adversely affect our business and results of operations.

If Neighborhood Diabetes does not continue to earn and retain purchase discounts and rebates from manufacturers at current levels, gross margins may decline, which could adversely affect our business and results of operations.

Neighborhood Diabetes has contractual relationships with product device manufacturers and pharmaceutical manufacturers and wholesalers providing Neighborhood Diabetes with purchase discounts and rebates on products distributed by Neighborhood Diabetes and drugs dispensed from Neighborhood Diabetes mail-order pharmacies. Most of these discounts and rebates are generally passed on to payors in the form of lower contracted reimbursement rates. Manufacturer rebates often depend on Neighborhood Diabetes ability to meet contractual market share or other requirements.

Neighborhood Diabetes payor partners often have contractual rights relating to their formulary structure, and while Neighborhood Diabetes programs aim to maximize savings to payors, they are often making specific choices regarding which products and drugs to place on their formularies. Neighborhood Diabetes profitability can be impacted by these payor decisions. In addition, the pharmaceutical industry (both manufacturers of brand-name drugs, as well as generic drugs) continues to consolidate and this may impact Neighborhood Diabetes drug purchasing costs and profitability.

Changes in existing federal or state laws or regulations or in their interpretation by courts and agencies or the adoption of new laws or regulations (such as the Patient Protection and Affordable Care Act enacted on March 23, 2010) relating to patent term extensions, purchase discount and rebate arrangements with manufacturers, as well as some of the other services Neighborhood Diabetes provides to manufacturers, could also reduce the discounts or rebates Neighborhood Diabetes receives and adversely impact its business, financial condition, liquidity and operating results, which in turn could materially and adversely affect our business and results of operations.

Neighborhood Diabetes business is dependent on its relationships with a limited number of suppliers and health plans. As such, the loss of one or more of these relationships, could significantly impact our ability to sustain and/or improve our financial performance.

Neighborhood Diabetes derives a significant percentage of its net sales and profitability from its relationships with a limited number of suppliers and payors. Neighborhood Diabetes agreements with its suppliers and payors may be short-term and cancelable by either party without cause on 30 to 365 days prior notice. These agreements may limit Neighborhood Diabetes ability to provide distribution services for competing products during the term of the agreement and allow the supplier to distribute through channels other than Neighborhood Diabetes. Further, certain of these agreements allow pricing and other terms of these relationships to be periodically adjusted for changing market conditions or required service levels. A termination or modification to any of these relationships could have a material adverse effect on Neighborhood Diabetes business, financial condition and results of operations, which in turn could have a material and adverse effect on our business and results of operations.

Neighborhood Diabetes has received a significant percentage of its historical net sales from Medicare reimbursement. Medicare reimbursement rates are reset annually by CMS and are typically subject to downward pressure. Furthermore, the Medicare Program is able to reset reimbursement rates and terminate contracts at will. In addition, participation in the Medicare program requires strict compliance to a complex set of regulatory requirements. Failure to meet those requirements can result in the loss of the ability to participate as a Medicare supplier, which could have a material and adverse effect on Neighborhood Diabetes business and results of operations, which in turn could have a material and adverse affect on our business and results of operations.

Certain revenues from diabetes testing supplies and Neighborhood Diabetes Medicare Part D offerings expose Neighborhood Diabetes to increased billing, cash application and credit risks. Additionally, current economic conditions may expose Neighborhood Diabetes to increased credit risk.

Net sales from Neighborhood Diabetes distribution of diabetes testing supplies depend on the continued availability of reimbursement by government and private insurance plans. The government s Medicare regulations are complex and, as a result, the billing and collection process is time-consuming and typically involves the submission of claims to multiple payors whose payment of claims may be contingent upon the payment of another payor. Because of the coordination with multiple payors and the complexity in determining reimbursable amounts, these accounts receivable have higher risk in collecting the full amounts due and applying the associated payments.

The Medicare Part D product offerings that Neighborhood Diabetes distributes require premium payments from members for the ongoing benefit, as well as amounts due from CMS. As a result of the demographics of the consumers covered under these programs and the complexity of the calculations, as well as the potential magnitude and timing of settlement for amounts due from CMS, these accounts receivable are subject to heightened billing and realization risk.

Additionally, Neighborhood Diabetes may be subject to increased credit risk associated with state and local government agencies experiencing increased fiscal challenges. As a result of these aforementioned risks, Neighborhood Diabetes may be required to record bad debt expenses, which could materially and adversely affect our results of operations and liquidity.

The implementation of a national-mail order competitive bid program by CMS could negatively affect Neighborhood Diabetes operating results.

Relative to Neighborhood Diabetes diabetes testing supplies business, the Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Competitive Bid Program, or the Program, provides for a phased-in program for competitive bidding on certain durable medical equipment items, including mail-order diabetes testing supplies. In July 2010, as part of the Program, CMS announced new single payment amounts for diabetes testing supplies, which averaged 56% off the current fee schedule amounts for such supplies under round one, impacting a limited number of geographic areas. Neighborhood Diabetes bid was not aligned with these single payment amounts. In November 2010, CMS announced the names of the winners for round one, where reimbursement rates became effective January 2011 for the limited number of geographic areas. Although Neighborhood Diabetes will not be a contracted supplier in the competitively bid areas, round one of the Program affects a small portion of Neighborhood Diabetes base membership. Moreover, Congressional action has provided CMS with additional authority to use pricing information gathered during the Program for purposes of establishing reimbursement rates in geographic areas not subject to competitive bidding. CMS also announced in November 2010 some general parameters relating to a national mail-order competitive bid program. While CMS implementation of a national mail-order competitive bid program is not expected until at least 2013, if such a program is implemented and depending upon the level of reduction in reimbursement rates of the final bid program, Neighborhood Diabetes operating results could be materially and adversely affected, which in turn could materially and adversely affect our operating results.

Risks related to the Acquisition

We will incur significant transaction, integration and other costs in connection with the Acquisition and these costs may exceed the realized benefits, if any, of the synergies and efficiencies from the Acquisition.

We have incurred significant transaction costs related to the Acquisition. In addition, we will incur integration costs as we integrate the Neighborhood Diabetes business with our own. Financial, managerial and operational challenges of the Acquisition may include:

disruption of our ongoing businesses and diversion of management attention;

difficulties in integrating Neighborhood Diabetes products and technologies;

risks associated with acquiring intellectual property;

difficulties in operating Neighborhood Diabetes profitably;

the inability to achieve anticipated synergies, cost savings or growth;

potential loss of key employees, particularly those of Neighborhood Diabetes;

difficulties in transitioning and maintaining key customer, distributor and supplier relationships;

risks associated with entering markets in which we have no or limited prior experience;

unanticipated costs; and

potential disputes with the Sellers of Neighborhood Diabetes.

No assurances can be given that the expected benefit of synergies and efficiencies of the Acquisition will exceed the transaction and integration costs and the costs associated with these potential financial, managerial and operational challenges, or that expected benefits and synergies and efficiencies will be achieved in the near term or at all.

Certain of Neighborhood Diabetes contracts with its key partners contain change of control clauses, and we may be unable to obtain the consents that are required to be given under such contracts in connection with the Acquisition.

Neighborhood Diabetes agreements with certain of its partners contain change of control clauses that could allow its contractual counterparties to terminate their commercial relationships with Neighborhood Diabetes as a result of the Acquisition. These agreements include Neighborhood Diabetes supply agreements with certain blood glucose testing supply manufacturers and pump and pump supply companies. If any portion of these companies whose agreements with Neighborhood Diabetes generate a significant portion of Neighborhood Diabetes net sales terminate their relationships with Neighborhood Diabetes, it could have a material adverse effect on Neighborhood Diabetes business, financial condition and results of operations, which in turn could materially and adversely affect our business and results of operations.

The unaudited pro forma financial information included elsewhere in this prospectus may not be representative of our results of operations or financial condition as an integrated company, and accordingly, you have limited financial information on which to evaluate the combined company.

Until June 1, 2011, we and Neighborhood Diabetes operated as separate companies. Accordingly we have had no material history as a combined entity and our operations have not previously been managed on a combined basis. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the Acquisition been completed as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company. The pro forma financial information does not reflect future nonrecurring charges resulting from the Acquisition. The pro forma financial information does not reflect future events that may occur after the Acquisition, including the potential realization of operating cost savings, the incurrence of costs related to the planned integration, the reactions of our and Neighborhood Diabetes customers and competitors or the termination or renegotiation of the terms of certain of Neighborhood Diabetes key contracts, and does not consider potential impacts of current market conditions on revenues or expenses.

We have made certain assumptions relating to the Acquisition that may prove to be materially inaccurate.

The pro forma financial information presented in this prospectus is based in part on certain assumptions regarding the Acquisition that we believe are reasonable under the circumstances, but we cannot assure you that our assumptions will prove to be accurate over time. Our assumptions may be inaccurate, including as the result of higher than expected transaction and integration costs as well as general economic and business conditions that could adversely affect the combined company. For example, the purchase price for Neighborhood Diabetes was $54.8 million more than Neighborhood Diabetes net book value as of March 31, 2011. Accordingly, we recorded a substantial amount of goodwill and other intangible assets as a result of the Acquisition. In the event that industry, competitive or technological factors become unfavorable, we may incur future impairment of the value of goodwill and other intangible assets acquired through the Acquisition. Under GAAP, we are not allowed to amortize goodwill or other indefinite-lived intangible assets. Instead, we are required to periodically determine if our goodwill and other indefinite-lived intangible assets have become impaired, in which case we would write down the impaired portion of our goodwill and/or other indefinite-lived intangible assets. If we were required to write down all or part of our goodwill or other indefinite-lived intangible assets, our net income (loss) and stockholders equity could be materially and adversely affected.

The historical financial information of Neighborhood Diabetes incorporated by reference in this prospectus may not be representative of the future financial results of the Neighborhood Diabetes business.

The historical growth of Neighborhood Diabetes revenues has been rapid, and it may not be representative of Neighborhood Diabetes future financial performance. We cannot assure you that Neighborhood Diabetes business will continue to grow at historical rates, or at all. If Neighborhood Diabetes business does not significantly grow in future periods, the expected benefits of the Acquisition will be diminished.

Neighborhood Diabetes may have unknown liabilities or liabilities which exceed our estimates. Any such liabilities could adversely affect the financial position of the combined company.

Neighborhood Diabetes primary business activities center around the sale of diabetes related products, equipment and pharmaceuticals in the Eastern United States. These activities may have associated with them various potential liabilities relating to the conduct of its business prior to the Acquisition, including, but not limited to, product liability, liability for unpaid taxes, claims by governmental or regulatory authorities or third parties regarding the marketing and distribution of, or the reimbursement for the sale of its products and other potential liabilities that could adversely affect the financial position of the combined company. Upon consummating the Acquisition on June 1, 2011, we assumed these potential liabilities. While we have evaluated and continue to evaluate what we believe to be the most significant of these potential liabilities, it is possible that certain unknown liabilities could be realized and other liabilities (including those that we have fully evaluated and those that we have not fully evaluated) may exceed our estimates. Further adjustments may be made to our preliminary pro forma purchase price accounting adjustments based on the completion of the final valuation of the Acquisition and other reviews. Specifically, we will complete a valuation of Neighborhood Diabetes fixed assets and intangible assets and evaluation of contingent liabilities, and our final valuation may include the realization or quantification of contingent liabilities that are currently not included in the preliminary pro forma purchase price adjustments, which could adversely affect the financial position of the combined company.

Risks related to the notes and this offering

The notes are effectively subordinated to our secured debt and any liabilities of our subsidiaries.

The notes will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to any of our indebtedness that is not so subordinated, including our 5.375% convertible senior notes due 2013, which have a face value of $85 million; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future liabilities of our subsidiaries. See Description of other material indebtedness. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior in right of payment to the notes will be available to pay obligations on the notes only after the secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. The indenture governing the notes will not prohibit us from incurring additional senior debt or secured debt, nor does it prohibit any of our subsidiaries from incurring additional liabilities.

As of March 31, 2011 after giving effect to the Acquisition, we and our subsidiaries would have had total consolidated indebtedness of $94.4 million (none of which would have been secured), and our subsidiaries would have had $9.4 million of indebtedness and other liabilities (including trade payables but excluding intercompany obligations and liabilities of a type not required to be reflected on a balance sheet of such subsidiaries in accordance with GAAP) to which the notes would have been structurally subordinated. As of March 31, 2011 after giving effect to the Transactions, including issuance of the notes (assuming no exercise of the underwriter s option to purchase additional notes), our total consolidated indebtedness would have been $204.4 million.

The notes are our obligations only and a significant portion of our operations are conducted through, and a significant portion of our consolidated assets are held by, our subsidiaries, primarily Neighborhood Diabetes.

The notes are our obligations exclusively and are not guaranteed by any of our subsidiaries. A substantial portion of our consolidated assets are held by our subsidiaries, primarily Neighborhood Diabetes. Accordingly, our ability to service our debt, including the notes, depends in part on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. In addition, dividends, loans or other distributions to us from such subsidiaries may be subject to contractual and other restrictions and are subject to other business considerations.

We may not be able to generate sufficient cash to service all of our indebtedness. We may be forced to take other actions to satisfy our obligations under our indebtedness or we may experience a financial failure.

Our ability to make scheduled payments on or to refinance our debt obligations, including our outstanding 5.375% convertible senior notes due 2013 and the notes offered hereby, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our future debt agreements. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or obtain sufficient proceeds from those dispositions to meet our debt service and other obligations then due.

We will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

Although we anticipate using all of the net proceeds in the offering for general corporate purposes, including potentially for the repurchase of our outstanding 5.375% convertible senior notes due 2013, we will have broad discretion as to the application of the net proceeds and could use them for purposes other than those contemplated at the time of this offering. You may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management could use the net proceeds for corporate purposes that may not increase our profitability or market value.

Recent regulatory actions may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the notes and dynamically adjusting their short position while they hold the notes. As a result, any specific rules regulating short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales in our common stock could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

At an open meeting on February 24, 2010, the SEC adopted a new short sale price test through an amendment to Rule 201 of Regulation SHO. The amendments to Rule 201 became effective on May 10, 2010 and restrict short selling when the price of a covered security has triggered a circuit breaker by falling at least 10% in one day, at which point short sale orders can be displayed or executed only if the order price is above the current national best bid, subject to certain limited exceptions. Compliance with the amendments to Rule 201 was required by November 10, 2010. Because our common stock is a covered security, the new restrictions may interfere with the ability of investors in, and potential purchasers of, the notes, to effect short sales in our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes.

In addition, on June 10, 2010, the SEC approved a six-month pilot (the circuit breaker pilot) pursuant to which several national securities exchanges and the Financial Industry Regulatory Authority, Inc., or FINRA, adopted rules to halt trading in securities included in the S&P 500 Index if the price of any such security moves 10% or more from a sale in a five-minute period. On September 10, 2010, the SEC approved an expansion of the circuit breaker pilot to include component securities of the Russell 1000 Index and over 300 exchange traded funds. Our common stock is not included in either the S&P 500 Index or the Russell 1000 Index and therefore is not subject to the circuit breaker pilot at this time. However, the SEC could further expand the circuit breaker pilot in the future or adopt other rules that limit trading in response to market volatility. The circuit breaker pilot is currently scheduled to expire on to the earlier of August 11, 2011 or the date on which the proposed limit up-limit down mechanism, under which trading parameters would be established and trades would have to be executed within a range tied to the national best bid and offer, is adopted. Any such additional regulatory actions may decrease or prevent an increase in the market price and/or liquidity of our common stock and/or interfere with the ability of investors in, and potential purchasers of, the notes, to effect hedging transactions in or relating to our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or will seek to employ, with respect to the notes.

Although the direction and magnitude of the effect that the amendments to Regulation SHO, the circuit breaker pilot and any additional regulations may have on the trading price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at this time, past regulatory actions have had a significant impact on the trading prices and liquidity of convertible debt instruments. For example, in September 2008, the SEC issued emergency orders generally prohibiting short sales in the common stock of a variety of financial services companies while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. The orders made the convertible arbitrage strategy that many convertible debt investors employ difficult to execute and adversely affected both the liquidity and trading price of notes issued by many of the financial services companies subject to the prohibition. Any governmental actions that restrict the ability of investors in, or potential purchasers of, the notes to effect short sales in our common stock or to implement hedging strategies, including the recently adopted amendments to Regulation SHO, could similarly adversely affect the trading price and the liquidity of the notes.

Volatility in the market price and trading volume of our common stock could adversely impact the trading price of the notes.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this prospectus or the documents we have incorporated by reference in this prospectus or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely impact the trading price of the notes. The price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of the notes.

Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above.

Despite our current consolidated debt levels, we and our subsidiaries may incur substantial additional debt in the future, some of which may be secured debt and/or structurally senior debt. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

We may not have the ability to raise the funds necessary to settle conversions of the notes or to purchase the notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or purchase of the notes.

Holders of the notes will have the right to require us to purchase their notes upon the occurrence of a fundamental change at a purchase price equal to 100% of their principal amount, *plus* accrued and unpaid interest, if any, as described under Description of the notes Fundamental change permits holders to require us to purchase notes. In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the notes being converted as described under Description of the notes Conversion rights Settlement upon conversion. However, we may not have enough available cash or be able to obtain financing at the time we are required to make purchases of notes surrendered therefor or notes being converted. In addition, our ability to purchase the notes or to pay cash upon conversions of the notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to purchase notes at a time when the purchase is required by the indenture or to pay any cash payable upon future conversions of the notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, including our 5.375% convertible senior notes due 2013. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the notes or make cash payments upon conversions thereof.

The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option. See Description of the notes Conversion rights. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share) or we able to take advantage of the procedures described in Description of the notes Exchange in lien of conversion, we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the notes, is the subject of recent changes that could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, which we refer to as FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer s economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of stockholders equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period s amortization of the debt discount and the instrument s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments (such as the notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share would be adversely affected.

Concurrent or future sales of shares of our common stock in the public market, or the perception that such sales may occur, may depress our stock price and adversely impact the trading price of the notes.

For the three month period ended March 31, 2011, the average daily trading volume of our common stock on The NASDAQ Global Market was fewer than 300,000 shares. If our existing stockholders or their distributees sell substantial amounts of our common stock, the market price of our common stock could decrease significantly. The perception in the public market that our existing stockholders might sell shares of common stock could also depress the trading price of our common stock and the trading price of the notes. Certain stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Concurrently with this offering, certain of our stockholders are offering 1,153,420 shares of our common stock in an underwritten public offering pursuant to registration rights granted in the Acquisition Agreement. Sales of our common stock may affect the price of our common stock, the trading price of the notes or, in the case of sales effected concurrently with the pricing of the notes, the initial conversion rate of the notes.

In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options and upon conversion of the notes and our 5.375% convertible senior notes due 2013. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance or sale of substantial amounts of common stock, or the perception that such issuances or sales may occur, could adversely affect the trading price of the notes and the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

Our directors and our executive officers will be subject to the lock-up agreements described in Underwriting for a period of 90 days after the date of this prospectus, representing approximately 3.2 million shares, or 7.1%, of our outstanding common stock as of February 1, 2011. Following the termination of these lock-up periods, these stockholders will have the ability to sell a substantial number of shares of common stock in the public market in a short period of time. Sales of a substantial number of shares of common stock in the public trading markets, whether in a single transaction or a series of transactions, or the perception that these sales may occur, could also have a significant effect on volatility and market price of our common stock.

Holders of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.

Holders of notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date relating to such notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock (other than cash in lieu of any fractional share)) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), but holders of notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date related to a holder s conversion of its notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock (other than cash in lieu of any fractional share)) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

The conditional conversion feature of the notes could delay your opportunity to convert the notes and may result in you receiving less than the value of the cash, our common stock or a combination thereof into which the notes would otherwise be convertible.

Prior to the close of business on the business day immediately preceding March 15, 2016, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and, even if the specific conditions are met, you may not be able to receive the value of the cash, common stock or a combination of cash and common stock, as applicable, into which the notes would otherwise be convertible.

Upon conversion of the notes, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your conversion right but before we settle our conversion obligation.

A converting holder of notes will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation.

Upon conversion of the notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to satisfy our conversion obligation in cash or a combination of cash and shares of our common stock, the amount of consideration that you will receive upon conversion of your notes will be determined by reference to the volume weighted average prices of our common stock for each trading day in a 25 trading day observation period. As described under Description of the notes Settlement upon conversion, this period would be (1) subject to clause (2), if the relevant conversion date occurs prior to March 15, 2016, the 25 consecutive trading day period beginning on, and including, the second trading day after such conversion date; (2) if the relevant conversion date occurs on or after the date of our issuance of a notice of redemption with respect to the notes as described under Description of the notes Optional redemption and prior to the relevant redemption date, the 25 consecutive trading days beginning on, and including, the 27th scheduled trading day immediately preceding such redemption date; and (3) if the relevant conversion date occurs on or after March 15, 2016, the 25 consecutive trading days beginning on, and including, the 27th scheduled trading day immediately preceding the maturity date. Accordingly, if the price of our common stock decreases during this period, the amount and/or value of consideration you receive will be adversely affected. In addition, if the market price of our common stock at the end of such period is below the average of the volume weighted average price of our common stock during such period, the value of any shares of our common stock that you will receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares that you will receive.

If we elect to satisfy our conversion obligation in solely shares of our common stock upon conversion of the notes, we will be required to deliver the shares of our common stock, together with cash for any fractional share, on the third business day following the relevant conversion date. Accordingly, if the price of our common stock decreases during this period, the value of the shares that you receive will be adversely affected and would be less than the conversion value of the notes on the conversion date.

The notes are not protected by restrictive covenants.

The indenture governing the notes will not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change or other corporate transaction involving us except to the extent described under Description of the notes Fundamental change permits holders to require us to purchase notes, Description of the notes Conversion rights Adjustment to shares delivered upon conversion upon a make-whole fundamental change and Description of the notes Consolidation, merger and sale of assets.

The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction.

If a make-whole fundamental change occurs prior to the maturity date, under certain circumstances, we will increase the conversion rate for notes converted in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction, as described below under Description of the notes Conversion rights Adjustment to shares delivered upon conversion upon a make-whole fundamental change. The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than $ per share or less than $ (in each case, subject to adjustment), the conversion rate will not be increased. Moreover, in no event will the conversion rate per $1,000 principal amount of notes as a result of this adjustment exceed , subject to adjustments in the same manner as the conversion rate as set forth under Description of the notes Conversion rights Conversion rate adjustments.

Our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers as described under Description of the notes Conversion rights Conversion rate adjustments. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to purchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to purchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a fundamental change requiring us to purchase the notes. In the event of any such transaction, the holders would not have the right to require us to purchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

We cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there has been no trading market for the notes, and we do not intend to apply to list the notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. We have been informed by the underwriter that it intends to make a market in the notes after the offering is completed. However, the underwriter may cease its market-making at any time without notice. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case you may not be able to sell your notes at a particular time or you may not be able to sell your notes at a favorable price.

Any adverse rating of the notes may cause their trading price to fall.

We do not intend to seek a rating on the notes. However, if a rating service were to rate the notes and if such rating service were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announces its intention to put the notes on credit watch, the trading price of the notes could decline.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. If a make-whole fundamental change occurs on or prior to the maturity date, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. See Certain material U.S. federal income tax considerations. If you are a non-U.S. holder (as defined in Certain material U.S. federal income tax considerations), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the notes. See Certain material U.S. federal income tax considerations.

Risks related to our common stock

The price of our common stock may be volatile.

The market price of our common stock is affected by a number of factors, including:

- failure to maintain and increase production capacity and reduce per unit production costs;
- changes in the availability of third-party reimbursement in the United States or other countries;
- volume and timing of orders for the OmniPod System;
- developments in administrative proceedings or litigation related to intellectual property rights;
- issuance of patents to us or our competitors;
- the announcement of new products or product enhancements by us or our competitors;
- the announcement of technological or medical innovations in the treatment or diagnosis of diabetes;
- changes in governmental regulations or in the status of our regulatory approvals or applications;
- developments in our industry;
- publication of clinical studies relating to the OmniPod System or a competitor s product;
- quarterly variations in our or our competitors results of operations;
- changes in earnings estimates or recommendations by securities analysts; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

In addition, as a result of the Acquisition, the market price of our common stock will be affected by a number of factors related to the business of Neighborhood Diabetes. If any of the risks related to Neighborhood Diabetes described above materialize or if certain events occur that tangentially adversely affect the business or prospects of Neighborhood Diabetes, the market price of our common stock may be adversely affected.

At times, the fluctuations in the market price of our common stock have been unrelated or disproportionate to our operating performance. These forces reached unprecedented levels in the second half of 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions and a material decline in economic conditions. In particular, the U.S. equity markets experienced significant price and volume fluctuations that have affected the market prices of equity securities of many technology companies. Broad market and industry factors such as these could materially and adversely affect the market price of our stock, regardless of our actual operating performance.

Anti-takeover provisions in our organizational documents, our shareholder rights plan and Delaware law may discourage or prevent a change of control, even if an acquisition would be

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beneficial to our stockholders, which could affect our stock price adversely and prevent attempts by our stockholders to replace or remove our current management.

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions:

- authorize the issuance of preferred stock which can be created and issued by the board of directors without prior stockholder approval, with rights senior to those of our common stock;

- provide for a classified board of directors, with each director serving a staggered three-year term;

- prohibit our stockholders from filling board vacancies, calling special stockholder meetings or taking action by written consent;

- provide for the removal of a director only with cause and by the affirmative vote of the holders of 75% or more of the shares then entitled to vote at an election of our directors; and

- require advance written notice of stockholder proposals and director nominations.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including a merger, tender offer or proxy contest involving our company. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock and the notes to decline.

In addition, in November 2008, our board of directors adopted a shareholder rights plan, implementing what is commonly known as a poison pill. This poison pill significantly increases the costs that would be incurred by an unwanted third party acquirer if such party owns or announces its intent to commence a tender offer for more than 15% of our outstanding common stock or otherwise triggers the poison pill by exceeding the applicable stock ownership threshold. The existence of this poison pill could delay, deter or prevent a takeover of us.

We may experience significant fluctuations in our quarterly results of operations, which could adversely affect the price of our common stock and the notes.

The fluctuations in our quarterly results of operations have resulted, and will continue to result, from numerous factors, including:

- delays in shipping due to capacity constraints;

- practices of health insurance companies and other third-party payors with respect to reimbursement for our current or future products;

- market acceptance of the OmniPod System;

- our ability to manufacture the OmniPod efficiently;

timing of regulatory approvals and clearances;

new product introductions;

competition; and

timing of research and development expenditures.

In addition, as a result of the Acquisition, our quarterly results may fluctuate as we integrate Neighborhood Diabetes and as result of the performance of Neighborhood Diabetes business and its prospects, which may be adversely affected by numerous factors, including those described above.

These factors, some of which are not within our control, may cause the price of our stock and the notes to fluctuate substantially. In particular, if our quarterly results of operations fail to meet or exceed the expectations of securities analysts or investors, our stock price could drop suddenly and significantly. We believe the quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

The fundamental change provisions may delay or prevent an otherwise beneficial takeover attempt of our company.

The fundamental change purchase rights, which will allow noteholders to require us to purchase all or a portion of their notes upon the occurrence of a fundamental change, as defined in Description of the notes, and the provisions requiring an increase to the conversion rate for conversions in connection with make-whole fundamental changes may in certain circumstances delay or prevent a takeover of our company and the removal of incumbent management that might otherwise be beneficial to investors.

Conversion of the notes may dilute the ownership interest of existing shareholders, including holders who have previously converted their notes.

The conversion of some or all of the notes may dilute the ownership interests of existing shareholders. Any sales in the public market of any of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the anticipated conversion of the notes into a combination of cash and shares of our common stock could depress the price of our common stock.

We do not intend to pay cash dividends.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

Our ability to use net operating loss carryforwards may be subject to limitation.

Section 382 of the U.S. Internal Revenue Code of 1986, as amended, imposes an annual limit on the amount of net operating loss carryforwards that may be used to offset taxable income when a corporation has undergone significant changes in its stock ownership or equity structure. Our ability to use net operating losses may be limited by prior changes in our ownership, and may be further limited by the issuance of common stock in connection with notes issued in this offering, or by the consummation of other transactions. As a result, if we earn net taxable income, our ability to use net operating loss carryforwards to offset U.S. federal taxable income may become subject to limitations, which could potentially result in increased future tax liabilities for us.

The Acquisition

Description of the business of Neighborhood Diabetes

Overview

Neighborhood Diabetes, organized as a Delaware corporation in 1998, is our new wholly owned subsidiary acquired on June 1, 2011. Neighborhood Diabetes is a leading durable medical equipment distributor specializing in direct to consumer sales of diabetes supplies. Based in Woburn, Massachusetts, with additional offices in Brooklyn, New York and Orlando, Florida, Neighborhood Diabetes serves more than 60,000 clients with Type 1 and Type 2 diabetes primarily in the northeast and southeast regions of the country with blood glucose testing supplies, insulin pumps, pump supplies and pharmaceuticals, among other supplies. More than 15,000 of Neighborhood Diabetes clients are insulin dependent with the majority of these clients using multiple daily injections, or MDI, therapy. We believe that Neighborhood Diabetes is one of the ten largest providers of diabetes products and supplies in the United States.

Neighborhood Diabetes delivers a differentiated high-touch service model to endocrinologists, insurers and clients, which supplements a comprehensive offering of diabetes management products with education, training and other support services. These services have been demonstrated to improve client adherence to their recommended therapy regimens, resulting in fewer long term complications and reduced costs of care. The value proposition for Neighborhood Diabetes to both doctors and insurers focuses on coupling a high level of client service with demonstrated cost reductions. This sales model has enabled Neighborhood Diabetes to drive increased referrals from a growing list of physician offices and insurers. The sales model has also created strong loyalty of its clients as clients enjoy being able to receive all of their diabetes supplies from one supplier.

Neighborhood Diabetes employs approximately 200 people across its three locations. The majority of these employees work in Neighborhood Diabetes reimbursement, pharmacy, billing and distribution areas. Clients place reorders either on monthly or quarterly cycles, depending on insurance coverage, for diabetes supplies which are then shipped or home delivered to the client. Neighborhood Diabetes has built a strong infrastructure in these areas that provide for adjudication of claims as either DME or through pharmacy benefits. Claims are adjudicated under private insurers, Medicaid or Medicare.

Neighborhood Diabetes business model requires collaboration with physicians, medical device manufacturers, pharmaceutical distributors, private insurers and public insurers such as CMS, who we collectively refer to as partners. Neighborhood Diabetes net sales are primarily generated from distributing diabetes supplies and pharmaceuticals pursuant to agreements with its partners.

Neighborhood Diabetes strategy to increase its revenue is to grow its customer base through direct sales and indirect referrals from partners and cross-selling additional products such as testing supplies, pump supplies or insulin to its existing customers. For the fiscal year ended June 30, 2010, Neighborhood Diabetes had $54.8 million of net sales, an increase of 23% from $44.5 million for the fiscal year ended June 30, 2009. Neighborhood Diabetes is profitable, with operating income of $2.3 million and $2.5 million in the fiscal years ended June 30, 2010 and June 30, 2009, respectively. For the nine months ended March 31, 2011, Neighborhood Diabetes reported net sales of $46.9 million and operating income of $3.0 million, representing approximately 17% net sales and 108% operating income growth from the nine months ended March 31, 2010.

Contractual relationships

Neighborhood Diabetes contracts primarily with insurers (payors) and with manufacturing suppliers.

Payor contracts

Neighborhood Diabetes net sales are principally derived from contracting with payors to provide the devices and prescription drugs that it distributes to clients through its mail-order operations. Generally, Neighborhood Diabetes payor contracts provide that a payor will pay for devices and pharmaceuticals dispensed to its members at specified prices for each product or service provided. Payors may also pay an administrative fee or other fees for various services Neighborhood Diabetes provides. These services include claims processing, eligibility management, benefits management, formulary compliance management, clinical network management and other related services.

Additionally, many of Neighborhood Diabetes contracts with payors contain provisions that guarantee the level of service Neighborhood Diabetes will provide to the client, the minimum level of rebates or discounts the payor may receive, closure of gaps in care or guaranteed savings levels. These payors may be entitled to performance penalties if Neighborhood Diabetes fails to meet a service or cost guarantee. The majority of Neighborhood Diabetes payors are party to these types of contracts, and such payors are generally entitled to audit Neighborhood Diabetes compliance with their contracts.

Neighborhood Diabetes has received a significant percentage of its historical net sales from Medicare reimbursement. Medicare reimbursement rates are reset annually by CMS and are typically subject to downward pressure. Furthermore, the Medicare Program is able to reset reimbursement rates and terminate contracts at will.

Supplier contracts

Neighborhood Diabetes contracts with device manufacturers and pharmaceutical distributors to provide it with diabetes devices, supplies and pharmaceuticals for sale to its clients. Many of these contracts provide Neighborhood Diabetes with discounts and rebates for devices dispensed through its mail-order operations and performance-based service fees associated with certain services. Rebates and fees are generally calculated as a percentage of the aggregate dollar value of a particular device that it distributed, based on the manufacturer s published wholesale price for that device. Rebates and fees are generally invoiced by Neighborhood Diabetes to the device manufacturer and paid to it on a quarterly basis. Neighborhood Diabetes shares the majority of rebates with its payors, in accordance with the provisions of the applicable payor contract, and Neighborhood Diabetes may also guarantee a minimum rebate per prescription dispensed to members of its payors.

For the years ended June 30, 2010, 2009 and 2008 and the nine months ended March 31, 2011, Neighborhood Diabetes purchased a significant majority of the products it distributes from four manufacturers, each of which constituted more than 10% of Neighborhood Diabetes purchases. Although certain of the products are competitive with the OmniPod System, alternative sources of supply exist for these products if a manufacturer chooses to terminate its supplier agreement with Neighborhood Diabetes.

See Risk factors Risks related to the business of Neighborhood Diabetes A significant percentage of Neighborhood Diabetes historical revenues are generated from distributing products of companies that compete directly with Insulet and Risk factors Risks related to the business of Neighborhood Diabetes Failure to retain key clients and their members, either as a result of economic conditions, increased competition or other factors, could result in significantly decreased revenues, harm to our reputation and decreased profitability of the Neighborhood Diabetes business.

Competition

Competition among distributors of products and pharmaceuticals in the diabetes testing supply and insulin pump and pump supply market, which Neighborhood Diabetes serves, is significant. Neighborhood Diabetes competes primarily on the basis of its high touch service model, which we believe distinguishes it from other market participants. Neighborhood Diabetes competes with a wide variety of market participants, including national, regional and local distributors such as Liberty Medical Supply Inc., CCS Medical, Simplex Medical, Inc. and Edgepark Medical Supplies, which are the largest competitors in Neighborhood Diabetes markets.

Properties

Neighborhood Diabetes leases office, distribution and pharmacy space in Woburn, Massachusetts under a lease expiring in 2013. Additionally, the Company leases office and distribution space in Brooklyn, New York and in Orlando, Florida under leases expiring in 2015 and 2011, respectively subject to renewal terms. Finally, Neighborhood Diabetes leases small office spaces in key endocrinologist centers to provide training, education and support services to clients. These leases are typically a year in length.

Government regulation

Similar to the existing Insulet business, Neighborhood Diabetes business operates in a highly regulated environment that is subject to numerous laws relating to patient protection and the safe, effective and cost-efficient provision of medical products. See Item 1. Business Government Regulation and Item 1. Business Third Party Reimbursement in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference herein, for a description of the regulatory environment in which we and Neighborhood Diabetes operate. In addition, Neighborhood Diabetes is subject to laws regulating its pharmacy operations.

Regulation of pharmacy operations. Neighborhood Diabetes pharmacies deliver prescription drugs and supplies to individuals in several states. The practice of pharmacy is generally regulated at the state level by state boards of pharmacy. Each of Neighborhood Diabetes dispensing pharmacies must be licensed in the state in which it is located. Also, many of the states where Neighborhood Diabetes delivers pharmaceuticals, including controlled substances, have laws and regulations that require out-of-state mail-order pharmacies to register with that state s board of pharmacy or similar regulatory body. Furthermore, those of Neighborhood Diabetes pharmacies that dispense durable medical equipment items, such as infusion pumps, and that bear a federal legend requiring dispensing pursuant to a prescription, are also regulated by applicable state and federal durable medical equipment laws.

Federal agencies further regulate Neighborhood Diabetes pharmacy operations. Pharmacies must register with the U.S. Drug Enforcement Administration and individual state-controlled substance authorities in order to dispense controlled substances. In addition, the FDA inspects facilities in connection with procedures to effect recalls of prescription drugs. The Federal Trade Commission, or the FTC, also has requirements for mail-order sellers of goods. The U.S. Postal Service, or the USPS, has statutory authority to restrict the transmission of drugs and medicines through the mail to a degree that could have an adverse effect on Neighborhood Diabetes mail-order operations. If the USPS restricts Neighborhood Diabetes ability to deliver drugs through the mail, alternative means of delivery are available to it. However, alternative means of delivery could be significantly more expensive. The Department of Transportation has regulatory authority to impose restrictions on drugs inserted in the stream of commerce. These regulations generally do not apply to the USPS and its operations.

We believe that Neighborhood Diabetes operations have the appropriate licenses required under the laws of the states in which they are located and that Neighborhood Diabetes conducts it pharmacy and durable medical equipment operations in accordance with the laws and regulations of these states.

Use of proceeds

We estimate that the net proceeds from this offering will be approximately $ million (or $ million if the underwriter exercises its option to purchase additional notes in full), after deducting the underwriter s discounts and estimated offering expenses from the offering of the notes. We intend to use the net proceeds for general corporate purposes, including the possible repurchase of our outstanding 5.375% convertible senior notes due 2013. Pending any use, as described above, we intend to invest the proceeds in high-quality, short-term, interest bearing securities.

We will not receive any proceeds from the sale of the shares of our common stock by the Sellers in the concurrent Selling Stockholders Offering, and pursuant to the terms of the Acquisition Agreement, we will pay all expenses that we incur in connection with the concurrent Selling Stockholders Offering, and reimburse the Sellers for related underwriter discounts, in an estimated aggregate amount of $1.5 million.

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2011:

on an actual basis;

on a pro forma basis to give effect to the consummation of the Acquisition as if it had occurred on March 31, 2011; and

on a pro forma as adjusted basis to give effect to the sale of the notes (assuming the underwriter s option to purchase additional notes is not exercised), the application of the net proceeds therefrom as described in Use of proceeds, and the consummation of the Acquisition.

You should read this table in conjunction with Use of proceeds and Unaudited pro forma condensed combined financial statements as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto, each of which is incorporated by reference into this prospectus from our Quarterly Report on Form 10-Q for the three months ended March 31, 2011 and Neighborhood Diabetes consolidated financial statements and related notes thereto, incorporated by reference into this prospectus from our Current Report on Form 8-K, filed by us with the SEC on June 7, 2011.

		As of March 31, 2011	
(in thousands)	**Actual**	**Pro forma for the Acquisition**	**Pro forma as adjusted**
Cash and cash equivalents	$ 104,488	$ 66,696	$ [1]
5.375% convertible senior notes due 2013[2][3]	85,000	85,000	
Notes offered hereby[3]			
Other long-term liabilities[4]	1,492	1,581	
Stockholders equity:			
Preferred stock, $0.001 par value per share; 5,000,000 shares authorized; no shares issued and outstanding, actual, pro forma for the Acquisition and pro forma as adjusted			
Common stock, $0.001 par value per share; 100,000,000 shares authorized; 45,829,569 shares issued and outstanding, actual; 47,027,200 shares issued and outstanding, pro forma for the Acquisition and pro forma as adjusted	46	47	
Additional paid-in capital	453,435	477,865	
Accumulated deficit	(393,701)	(397,166)	

Total stockholders equity		59,780		80,746	
Total capitalization	$	146,272	$	167,327	$

(1) Includes the estimated net proceeds of the sale of the notes (net of underwriter s discounts and estimated offering expenses from the offering of the notes as described in Use of proceeds) of $ million. We intend to use the net proceeds for general corporate purposes, including the possible repurchase our of outstanding 5.375% convertible senior notes due 2013. In addition, we have agreed to reimburse underwriting discounts and pay expenses of approximately $1.5 million in connection with the concurrent Selling Stockholders Offering.

(2) In June 2008, we privately placed $85.0 million of our 5.375% convertible senior notes due 2013. See Description of other material indebtedness.

(3) In accordance with ASC 470-20, convertible debt that may be wholly or partially settled in cash is required to be separated into a liability and an equity component, such that interest expense reflects the issuer s non-convertible debt interest rate. Upon issuance, a debt discount will be recognized as a decrease in debt and an increase in equity. The debt component will accrete up to the principal amount over the expected term of the debt. ASC 470-20 does not affect the actual amount that we are required to repay, and the amount shown in the table above for our 5.375% convertible senior notes due 2013 and the notes offered hereby is the aggregate principal amount of the notes and does not reflect the debt discount, fees and expenses that we have recognized with respect to our 5.375% convertible senior notes or will be required to recognize with respect to the notes offered hereby.

(4) Represents the non-current portion of an agreement fee we received in March 2008 in connection with an amendment to the development and license agreement between us and Abbott Diabetes Care, Inc. See note 2 to our consolidated financial statements for the three month period ended March 31, 2011 incorporated by reference herein. The pro forma adjustment represents the fair value of the potential additional cash consideration required under the terms of the Acquisition Agreement.

Price range of common stock and dividend policy

Our common stock has been listed on The NASDAQ Global Market under the trading symbol PODD since our initial public offering on May 15, 2007. Prior to that time, there was no public market for our common stock. The following table sets forth the high and low closing sales prices of our common stock, as reported by The NASDAQ Global Market, for each of the periods listed.

	High	Low
Year Ending December 31, 2011		
First Quarter	21.09	15.76
Second Quarter (through June 21, 2011)	21.52	18.30
Year Ended December 31, 2010		
First Quarter	16.47	13.06
Second Quarter	15.86	13.21
Third Quarter	15.39	13.22
Fourth Quarter	16.31	12.75
Year Ended December 31, 2009		
First Quarter	9.58	2.67
Second Quarter	7.83	3.55
Third Quarter	11.25	6.08
Fourth Quarter	14.40	8.98

The last reported sale price of our common stock on The NASDAQ Global Market on June 21, 2011 was $20.47 per share. As of June 1, 2011, we had approximately 30 holders of record of our common stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings for the development, operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Whether or not to declare any dividends will be at the discretion of our board of directors, considering then-existing conditions, including the terms of our credit arrangements as well as our financial condition and results of operations, capital requirements, business prospects and other factors that our board of directors considers relevant.

Ratio of earnings to fixed charges

The following table presents our ratio of earnings to fixed charges for each of the years ended December 31, 2006 through 2010 and the three-months ended March 31, 2010 and 2011, respectively:

	Year ended December 31,					Three months ended March 31,	
	2006	**2007**	**2008**	**2009**	**2010**	**2010**	**2011**
Deficiency of earnings to cover fixed charges (in thousands)	$ (36,172)	$ (54,249)	$ (95,134)	$ (72,450)	$ (61,361)	$ (14,537)	$ (9,924)
Ratio of earnings to fixed charges(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

(1) For purposes of computing this ratio of earnings to fixed charges, fixed charges consist of interest expense on long-term debt and capital leases, amortization of deferred financing costs and that portion of rental expense deemed to be representative of interest. Earnings consist of loss before income taxes plus fixed charges.

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Unaudited pro forma condensed combined financial statements

On June 1, 2011, we entered into an Acquisition Agreement with Neighborhood Diabetes. Pursuant to the terms of the Acquisition Agreement, we paid cash consideration of approximately $37.9 million and issued 1,197,631 shares of common stock in exchange for the issued and outstanding shares of preferred and common stock of Neighborhood Diabetes. If the per share net proceeds received by the Sellers in the Selling Stockholders Offering is less than $20.87, then we may be obligated to pay an additional cash amount equal to the lesser of (1) the difference between the closing price of our common stock on the date the Selling Stockholders Offering is priced and the per share net proceeds received by the Sellers in the Selling Stockholders Offering (exclusive of the Sellers third-party fees and expenses), and (2) 12.5% of the closing price of our common stock on the date the Selling Stockholders Offering is priced.

The following unaudited pro forma condensed combined financial statements are intended to show how the Acquisition, which occurred on June 1, 2011, might have affected our historical financial statements if such Acquisition had been completed at an earlier time and were prepared based on our historical financial statements and the historical financial statements reported by Neighborhood Diabetes. The following should be read in conjunction with our and Neighborhood Diabetes consolidated financial statements and the related notes thereto, which are incorporated by reference into this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2010, our Quarterly Report on Form 10-Q for the three months ended March 31, 2011 and our Current Report on Form 8-K, filed by us with the SEC on June 7, 2011.

The unaudited pro forma condensed combined financial statements combine (1) our historical balance sheets and those of Neighborhood Diabetes as of March 31, 2011, giving pro forma effect to the Acquisition as if it had occurred on March 31, 2011 and (2) our historical statements of operations and those of Neighborhood for the year ended December 31, 2010 and the three months ended March 31, 2011, giving pro forma effect to the Acquisition as if it had occurred on January 1, 2010. Our fiscal year ends on December 31, whereas Neighborhood Diabetes fiscal year ends on June 30. The unaudited pro forma condensed combined statement of operations information for the year ended December 31, 2010 has been prepared using Neighborhood Diabetes historical unaudited financial statements for the six months ended June 30, 2010 and the six month period ended December 31, 2010.

The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the Acquisition, are factually supportable and, in the case of the pro forma statements of operations, have a recurring impact. The pro forma adjustments are preliminary, and the unaudited pro forma condensed consolidated combined financial statements are not necessarily indicative of the financial position or results of operations that may have actually occurred had the Acquisition taken place on the dates noted, or the future financial position or operating results of the combined company. The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. We expect to incur additional costs related to employee severance and other restructuring costs related to the Acquisition. We have not yet completed our assessment and do not have an estimate of these costs. These costs will be accounted for in accordance with ASC 805. Under the purchase method of accounting, the total purchase price is allocated to the net tangible and intangible assets acquired and liabilities assumed, based on various estimates of their respective fair values.

Insulet Corporation unaudited pro forma condensed combined balance sheet March 31, 2011

(in thousands)	Insulet	Actual March 31, 2011 Neighborhood Diabetes	Pro forma adjustments Note 2		Pro forma
ASSETS					
Current Assets					
Cash and cash equivalents	$ 104,488	$ 63	$ (37,855)	A	$ 66,696
Accounts receivable, net	15,009	9,011	(60)	H	23,960
Inventories	12,199	1,783			13,982
Prepaid expenses and other current assets	1,841	68			1,909
Deferred income tax assets		826	(826)	F	
Total current assets	133,537	11,751	(38,741)		106,547
Property and equipment, net	14,256	391			14,647
Goodwill		4,722	62,347	A	30,631
			(5,420)	B	
			(32,900)	C	
			(4,722)	E	
			4,722	E	
			355	F	
			1,627	I	
			(120)	J	
			20	K	
Customer relationships			30,100	C	23,090