

INSMED INC  
Form 424B5  
October 01, 2012  
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**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated July 5, 2012)

Filed pursuant to Rule 424(b)(5)  
Registration No. 333-182124

**Insmed Incorporated**

**6,304,102 Shares of Common Stock**

We are offering 6,304,102 shares of our common stock in this offering at a price of \$4.07 per share. We are not paying underwriting discounts or commissions, so the proceeds to us, before expenses, will be approximately \$25.7 million. We estimate the total expenses of this offering will be approximately \$0.1 million.

You should read this prospectus supplement, including any information incorporated herein, carefully before you invest.

Our common stock is listed on the NASDAQ Capital Market under the symbol INSM. On September 27, 2012, the closing price of our common stock as reported on the NASDAQ Capital Market was \$4.07 per share.

**Investing in our securities involves a high degree of risk. See Risk Factors beginning on page S-3.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus supplement is September 28, 2012

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**Important Notice about the Information Presented in this Prospectus Supplement**

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. For further information, see the section of the accompanying prospectus entitled **Where You Can Find More Information**. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information appearing in this prospectus supplement is accurate as of any date other than the date on the front cover of this prospectus supplement, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since such dates. This prospectus supplement shall not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document contains two parts. The first part is this prospectus supplement, which describes the terms of the offering of shares of our common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, provides more general information about us and the securities offered hereby. Generally, when we refer to this prospectus, we are referring to both parts of this document combined together with all documents incorporated by reference. To the extent there is a conflict between the information contained in this prospectus supplement or any free writing prospectus we may authorize to be delivered to you, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference therein, on the other hand, you should rely on the information in this prospectus supplement or such free writing prospectus, as the case may be, provided that, 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 accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in the accompanying prospectus were made solely for the benefit of the parties to such agreement and the third-party beneficiaries named therein, if any, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

Unless the context otherwise requires, the terms Insmed, the Company, our company, we, us, our and similar names refer collectively to Insmed Incorporated and its subsidiaries. ARIKACE is a registered trademark of Insmed Incorporated.

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**ABOUT INSMED INCORPORATED**

We are a biopharmaceutical company focused on developing and commercializing novel, targeted inhaled therapies for patients with high unmet need battling serious orphan lung diseases. Our lead product candidate, ARIKACE<sup>®</sup> (liposomal amikacin for inhalation), is a differentiated, inhaled antibiotic engineered to deliver a proven and potent anti-infective directly to the site of serious lung infections to improve the efficacy, safety and convenience of treatment for patients. Currently, we are continuing late-stage clinical trials for two initial primary target indications for this product: lung infections caused by *Pseudomonas aeruginosa*, which we refer to as *Pseudomonas*, in cystic fibrosis (CF) patients and lung infections caused by non-tuberculous mycobacteria (NTM).

ARIKACE is considered a New Chemical Entity by the United States Food and Drug Administration, or FDA, primarily due to its proprietary liposomal technology. The key active ingredient, amikacin, is an FDA-approved antibiotic with proven efficacy in the treatment of gram-negative infections, including *Pseudomonas*. ARIKACE is in the aminoglycoside class of antibiotics.

ARIKACE is differentiated by our proprietary advanced liposomal technology, which is designed specifically for targeted delivery of pharmaceuticals to the lung. We believe ARIKACE provides for potential improvements to the conventional inhalation methods of anti-infective delivery of drugs to the pulmonary system for these indications.

Our ongoing ARIKACE clinical development program includes a phase 2 clinical study of ARIKACE in patients with NTM lung disease (TARGET-NTM) as well as a European and Canadian registration phase 3 clinical study of ARIKACE in CF patients with *Pseudomonas* lung infections (CLEAR-108). We expect to report clinical results from both the CLEAR-108 and TARGET-NTM studies in 2013. Our focus in the near term will be to prepare the Company for commercialization of ARIKACE in Europe and the U.S.

***Corporate Information***

We were incorporated in the Commonwealth of Virginia on November 29, 1999. We completed a business combination with Transave, Inc., or Transave, a privately-held, New Jersey-based pharmaceutical company focused on the development of differentiated and innovative inhaled pharmaceuticals for the site-specific treatment of serious lung infections, on December 1, 2010. Our integration with Transave was completed in 2011. Our principal executive offices are located at 9 Deer Park Drive, Suite C, Monmouth Junction, New Jersey 08852 and our phone number is (732) 997-4600. Our Internet address is [www.insmed.com](http://www.insmed.com). The information on our web site is not incorporated by reference into this prospectus supplement and should not be considered to be part of this prospectus supplement.

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**RISK FACTORS**

Investing in our securities involves significant risks. Please see the risk factors under the heading "Risk Factors" in our most recent Annual Report on Form 10-K, as revised or supplemented by our Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (SEC) since the filing of our most recent Annual Report on Form 10-K, each of which are on file with the SEC and are incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus. The risks and uncertainties we have described are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations, results of operation, prospects or financial condition.

**SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This prospectus includes and incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, included or incorporated in this prospectus regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated by these forward-looking statements. These important factors include the factors that we identify in the documents we incorporate by reference in this prospectus, as well as other information we include or incorporate by reference in this prospectus. See "Risk Factors." You should read these factors and other cautionary statements made in this prospectus, and in the documents we incorporate by reference as being applicable to all related forward-looking statements wherever they appear in this prospectus, and in the documents incorporated by reference. We do not assume any obligation to update any forward-looking statements made by us.

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**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the 6,304,102 shares will be approximately \$25.6 million.

We intend to use the net proceeds from this common stock offering for general corporate purposes, including working capital, capital expenditures, research and development and clinical trial expenditures.

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**Table of Contents****DILUTION**

If you invest in our common stock, your interest will be diluted to the extent of the difference between the price per share you pay in this offering and the net tangible book value per share of our common stock immediately after this offering. Our net tangible book value of our common stock as of December 31, 2011 was approximately \$81.6 million, or approximately \$3.29 per share of common stock based upon 24,833,301 shares outstanding. Net tangible book value per share is equal to our total tangible assets, less our total liabilities, divided by the total number of shares outstanding as of December 31, 2011. After reflecting the sale of 6,304,102 shares of our common stock offered by us at the public offering price of \$4.07 per share, our as-adjusted net tangible book value would have been approximately \$107.3 million, or approximately \$3.45 per share of common stock based upon 31,137,403 shares outstanding. This represents an immediate increase in net tangible book value of \$0.16 per share to our existing stockholders and an immediate dilution in net tangible book value of \$0.62 per share to new investors. The following table illustrates this calculation on a per share basis:

Offering price per share	\$ 4.07
Net tangible book value per share as of December 31, 2011	\$ 3.29
Increase in net tangible book value per share attributable to the offering	\$ 0.16
As-adjusted net tangible book value per share after giving effect to the offering	\$ 3.45
Dilution in net tangible book value per share to new investors	\$ 0.62

The foregoing table excludes the following, each as of December 31, 2011:

891,751 shares of our common stock subject to outstanding stock options at a weighted average exercise price of \$5.15 per share;

2,073,018 shares of our common stock were reserved for future issuances under our stock option plans; and

157,554 shares of our common stock reserved for issuance upon the exercise of outstanding warrants at an exercise price of \$11.00.

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**DESCRIPTION OF COMMON STOCK**

The following is a description of the material terms and provisions of our common stock. It may not contain all the information that is important to you. You can access complete information by referring to our Articles of Incorporation, as amended (the "Articles of Incorporation") and bylaws, as amended (the "Bylaws").

***General***

Under our Articles of Incorporation, we have authority to issue 500,000,000 shares of common stock, par value \$0.01 per share. As of September 27, 2012, there were 24,874,852 shares of common stock issued and outstanding. All shares of common stock will, when issued, be duly authorized, fully paid and nonassessable. Accordingly, the full price for the outstanding shares of common stock will have been paid at issuance and any holder of our common stock will not be later required to pay us any additional money for such common stock.

In addition, as of September 27, 2012:

there were an aggregate of 1,504,189 shares of our common stock subject to outstanding stock options at a weighted average exercise price of \$3.89 per share;

1,213,579 shares of our common stock were reserved for future issuances under our stock option plans;

there were an aggregate of 495,658 shares of our restricted stock and restricted stock units outstanding; and

there were an aggregate of 329,932 shares of our common stock subject to an outstanding warrant at an exercise price of \$2.94 per share.

***Dividends***

Subject to the prior rights of any series of preferred stock which may from time to time be outstanding, the holders of our common stock are entitled to receive such dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. In the event we are liquidated, dissolved or our affairs are wound up, after we pay or make adequate provision for all of our known debts and liabilities, each holder of common stock will receive dividends pro rata out of assets that we can legally use to pay distributions, subject to any rights that are granted to the holders of any class or series of preferred stock. As of the date of this prospectus, we have not declared or paid any dividends on our shares of common stock.

***Voting Rights***

Holders of common stock will have the exclusive power to vote on all matters presented to our shareholders, including the election of directors, except as otherwise provided by Virginia law or as provided with respect to any other class or series of stock, as discussed in more detail below. Holders of common stock are entitled to one vote per share. There is no cumulative voting in the election of our directors, which means that, subject to any rights to elect directors that are granted to the holders of any class or series of preferred stock, a plurality of the votes cast at a meeting of shareholders at which a quorum is present is sufficient to elect a director.

***Other Rights***

Subject to the preferential rights of any other class or series of stock, all shares of common stock have equal dividend, distribution, liquidation and other rights, and have no preference, appraisal or exchange rights, except for any appraisal rights provided by Virginia law. Furthermore, holders of common stock have no conversion, sinking fund or redemption rights, or preemptive rights to subscribe for any of our securities.





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*Transfer Agent*

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company. Its address is 10150 Mallard Creek Road, Suite 307, Charlotte, NC 28262.

Our common stock is listed on the NASDAQ Capital Market under the symbol INSM.

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**CERTAIN ANTI-TAKEOVER AND INDEMNIFICATION PROVISIONS OF  
OUR ARTICLES OF INCORPORATION AND BY-LAWS AND VIRGINIA LAW**

The following is a summary of certain anti-takeover and indemnification provisions of Virginia law and our Articles of Incorporation and Bylaws which affect us and our shareholders. The description below is intended as only a summary. You can access complete information by referring to the Virginia Stock Corporation Act, or VSCA, and our Articles of Incorporation and Bylaws, and the following summary is qualified in its entirety by reference to such documents and the applicable provisions of the VSCA.

***Board Composition, Removal of Directors and Filling Vacancies***

In accordance with our Articles of Incorporation, our board is divided into three classes serving staggered three-year terms, with one class being elected each year. Our Articles of Incorporation also provide that, for so long as the board is classified, directors may be removed only for cause and then only by the affirmative vote of the holders of at least 75% of the shares of capital stock issued and outstanding and entitled to vote generally in the election of directors. Furthermore, unless and until filled by the shareholders, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may be filled solely (i) by the affirmative vote of a majority of our directors then in office even if less than a quorum, or (ii) at an annual meeting of shareholders by the shareholders entitled to vote on the election of directors. Any amendment to the provisions of the Articles of Incorporation with respect to these matters must be approved by at least 75% of the outstanding shares of capital stock entitled to vote on the amendment.

***Blank Check Preferred Stock***

We have shares of preferred stock available for future issuance without shareholder approval, except to the extent holders of preferred stock have a consent right under the terms of their preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our shareholders, our board of directors could cause shares of preferred stock to be issued without shareholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent shareholder or shareholder group. In this regard, our Articles of Incorporation grant our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

***Affiliated Transactions Statute***

Virginia law contains provisions governing affiliated transactions. In general, these provisions prohibit a Virginia corporation from engaging in affiliated transactions with any holder of more than 10% of any class of its outstanding voting shares, or an interested shareholder, for a period of three years following the date that such person became an interested shareholder unless:

the disinterested members of the board of directors of the corporation and the holders of two-thirds of the voting shares, other than the shares beneficially owned by the interested shareholder, approve the affiliated transaction; or

before the date the person became an interested shareholder, the board of directors approved the transaction that resulted in the shareholder becoming an interested shareholder.

After three years, any such transaction must be at a fair price, as statutorily defined or must be approved by the holders of two-thirds of the voting shares, other than the shares beneficially owned by the interested shareholder.

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### ***Control Share Acquisitions Statute***

Virginia law also contains provisions relating to control share acquisitions, which are transactions causing the voting strength of any person acquiring beneficial ownership of shares of a Virginia public corporation to meet or exceed certain threshold percentages (20%, 33  $\frac{1}{3}$ % or 50%) of the total votes entitled to be cast for the election of directors. Shares acquired in a control share acquisition have no voting rights unless:

the voting rights are granted by a majority vote of all outstanding shares other than those held by the acquiring person or any officer or employee director of the corporation; or

The acquiring person may require that a special meeting of the shareholders be held to consider the grant of voting rights to the shares acquired in the control share acquisition.

As permitted by Virginia law, our Articles of Incorporation contain a provision opting out of the control share acquisition provisions of Virginia law.

### ***Indemnification of Directors and Officers***

Our Articles of Incorporation provide that no director or officer shall be liable to Insmmed or our shareholders for monetary damages except for liability resulting from willful misconduct or a knowing violation of the criminal law or of any federal or state securities laws.

Our Articles of Incorporation require us to indemnify any director, officer or employee who is or was a party to a proceeding due to his or her status as a director or officer of Insmmed or who is or was serving at our request as a director, officer, or employee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. This indemnification covers all reasonable expenses incurred by any such director, officer, or employee. Such indemnification will be made unless the board of directors, by a majority vote of a quorum of disinterested directors or, under certain circumstances, independent legal counsel appointed by the board of directors, determines that the director or officer seeking indemnification was guilty of willful misconduct or a knowing violation of the criminal law.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers and controlling persons of Insmmed pursuant to the foregoing provisions or otherwise, we have been informed that, in the opinion of the SEC, indemnification for liabilities under the Securities Act is against public policy and is unenforceable.

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**PLAN OF DISTRIBUTION**

We have agreed to sell, directly to certain investors, an aggregate of 6,304,102 shares of our common stock at a price of \$4.07 per share. No underwriters or agents were engaged by us for this transaction. We estimate the total expenses of this offering that will be payable by us will be approximately \$0.1 million.

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**EXPERTS**

The consolidated financial statements of Insmmed Incorporated appearing in Insmmed's Annual Report (Form 10-K) for the year ended December 31, 2011 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**LEGAL MATTERS**

Certain legal matters, including the legality of the securities offered, will be passed upon for us by Pepper Hamilton LLP.

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**PROSPECTUS**

**\$75,000,000**

**Insmed Incorporated**

**Common Stock**

**Preferred Stock**

**Warrants**

**Debt Securities**

**Units**

This prospectus relates to common stock, preferred stock, warrants, debt securities and units that we may sell from time to time in one or more offerings up to a total dollar amount of \$75,000,000 on terms to be determined at the time of sale. We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. This prospectus may not be used to offer and sell securities unless accompanied by a prospectus supplement for those securities.

Our common stock is listed on the Nasdaq Capital Market under the symbol INSM.

These securities may be sold directly by us, through dealers or agents designated from time to time, to or through underwriters or through a combination of these methods. See "Plan of Distribution" in this prospectus. We may also describe the plan of distribution for any particular offering of these securities in any applicable prospectus supplement. If any agents, underwriters or dealers are involved in the sale of any securities in respect of which this prospectus is being delivered, we will disclose their names and the nature of our arrangements with them in a prospectus supplement. The net proceeds we expect to receive from any such sale will also be included in a prospectus supplement.

**Investing in our securities involves a high degree of risk. See Risk Factors beginning on page ii.**

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

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This prospectus may not be used to consummate sales of securities unless it is accompanied by a prospectus supplement.

The date of this prospectus is July 5, 2012



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You should not assume that the information appearing in this prospectus or any applicable prospectus supplement is accurate as of any date other than the date on the front cover of this prospectus or the applicable prospectus supplement, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any prospectus supplement or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since such dates. Neither this prospectus nor any accompanying supplement shall constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$75,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the securities being offered and the terms of that offering. The prospectus supplement may also add to, update or change information contained in this prospectus. This prospectus, together with any accompanying prospectus supplement and any free writing prospectus we may authorize to be delivered to you, includes all material information relating to this offering.

As permitted by the rules and regulations of the SEC, the registration statement, of which this prospectus forms a part, includes additional information not contained in this prospectus. You may read the registration statement and other reports we file with the SEC on the SEC's web site or at the SEC's offices, each as further describe below under the heading "Where You Can Find More Information."

Unless the context otherwise requires, the terms "Insmed," "the Company," "our company," "we," "us," "our" and similar names refer collectively to Insmed Incorporated and its subsidiaries. ARIKACE is a registered trademark of Insmed Incorporated.

**ABOUT INSMED INCORPORATED**

We are a development-stage biopharmaceutical company with expertise in proprietary, advanced liposomal technology designed specifically for inhalation lung delivery. We develop innovative inhaled treatments for serious lung infections. Our proprietary liposomal technology is designed specifically for delivery of pharmaceuticals to the lung, and we believe it provides for potential improvements to the conventional inhalation methods of delivering drugs to the pulmonary system. These potential advantages include improvements in efficacy, safety and patient convenience. Our primary focus is on orphan markets with high unmet medical needs, which we believe presents a significant opportunity, as their challenge and complexity best fit our knowledge, know-how and expertise.

Our current strategy is to utilize our proprietary liposomal technology to develop safe and effective medicines that improve upon standards of care for those orphan respiratory diseases in which patient needs are currently unmet. Our initial primary target indications are *Pseudomonas aeruginosa*, which we refer to as *Pseudomonas*, lung infections in cystic fibrosis, or CF, patients and patients with non-tuberculous mycobacteria, or NTM, lung infections.

Our lead product, ARIKACE® (liposomal amikacin for inhalation), is a differentiated, inhaled antibiotic supported by positive Phase 2 results for treating serious lung infections due to susceptible bacteria. We believe that ARIKACE has potential usage in at least two orphan indications with high unmet needs: CF patients who have *Pseudomonas* lung infections and patients who have NTM lung infections. ARIKACE is considered a New Chemical Entity by the United States Food and Drug Administration, or FDA, primarily due to its proprietary liposomal technology. The key active ingredient, amikacin, is an FDA- approved antibiotic with proven efficacy in the treatment of gram-negative infections, including *Pseudomonas*. ARIKACE is in the aminoglycoside class of antibiotics.

We are currently focused on conducting our ARIKACE clinical development program which includes a phase 2 clinical study of ARIKACE in patients with NTM lung disease (TARGET-NTM), as well as a European and Canadian registration phase 3 clinical study of ARIKACE in CF patients with *Pseudomonas* lung infections (CLEAR-108).

***Corporate Information***

We were incorporated in the Commonwealth of Virginia on November 29, 1999. We completed a business combination with Transave, Inc., or Transave, a privately-held, New Jersey-based pharmaceutical company focused on the development of differentiated and innovative inhaled pharmaceuticals for the site-specific treatment of serious lung infections, on December 1, 2010. Our integration with Transave was completed in 2011. Our principal executive offices are located at 9 Deer Park Drive, Suite C, Monmouth Junction, New Jersey 08852 and our phone number is (732) 997-4600. Our Internet address is [www.insmed.com](http://www.insmed.com). The information on our web site is not incorporated by reference into this prospectus and should not be considered to be part of this prospectus.

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**RISK FACTORS**

Investing in our securities involves significant risks. Please see the risk factors under the heading "Risk Factors" in our most recent Annual Report on Form 10-K, as revised or supplemented by our Quarterly Reports on Form 10-Q filed with the SEC since the filing of our most recent Annual Report on Form 10-K, each of which are on file with the SEC and are incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus and any prospectus supplement. The risks and uncertainties we have described are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations, results of operation, prospects or financial condition.

**SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This prospectus includes and incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, included or incorporated in this prospectus regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated by these forward-looking statements. These important factors include the factors that we identify in the documents we incorporate by reference in this prospectus, as well as other information we include or incorporate by reference in this prospectus and any prospectus supplement. See "Risk Factors." You should read these factors and other cautionary statements made in this prospectus and any accompanying prospectus supplement, and in the documents we incorporate by reference as being applicable to all related forward-looking statements wherever they appear in the prospectus and any accompanying prospectus supplement, and in the documents incorporated by reference. We do not assume any obligation to update any forward-looking statements made by us.

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We have not recorded earnings for any of our last five fiscal years and the first quarter of 2012, except for fiscal year 2009, when we completed the sale of our follow-on biologics platform to Merck & Co, Inc. Earnings (loss) consists of loss before provision for income taxes and cumulative effects of accounting changes plus fixed charges. Fixed charges consist of interest expense and a portion of rental expense that we believe to be representative of interest. The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. The following table discloses our dollar coverage deficiency.

	Three months ended March 31, 2012	2011	2010	Year Ended December 31,		
				2009	2008	2007
Earnings (loss) (in thousands)	\$ (6,819)	\$ (59,560)	\$ (6,154)	\$ 119,654	\$ (14,309)	\$ (19,178)
Fixed Charges (in thousands)	\$ 24	\$ 104	\$ 202	\$ 827	\$ 1,358	\$ 784
Ratio of Earnings to Fixed Charges				145		
Coverage deficiency to attain a ratio of 1:1 (in thousands)	\$ (6,795)	\$ (59,456)	\$ (5,952)		\$ (12,951)	\$ (18,394)

The ratios presented in the table above are based solely on historical financial information, and no pro forma adjustments have been made thereto. As of the date of this prospectus, we have no shares of preferred stock outstanding and have not declared or paid any preferred stock dividends for the periods set forth above.

**USE OF PROCEEDS**

Unless otherwise provided in the applicable prospectus supplement, we intend to use the net proceeds from the sale of these securities for working capital and other general corporate purposes, research and development expenses, including clinical trial costs, and possibly acquisitions of other businesses, products or technologies. We have not yet determined the amount of net proceeds to be used specifically for any of the foregoing purposes. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds from the sale of these securities. Pending any use, as described above, we intend to invest the net proceeds in high-quality, short-term, interest-bearing securities. Our plans to use the estimated net proceeds from the sale of these securities may change, and if they do, we will update this information in a prospectus supplement.

**THE SECURITIES WE MAY OFFER**

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplements, summarize the material terms and provisions of the various types of securities that we may offer. We will describe in the applicable prospectus supplement relating to any securities the particular terms of the securities offered by that prospectus supplement. If we so indicate in the applicable prospectus supplement, the terms of the securities may differ from the terms we have summarized below. We will also include in the prospectus supplement information, where applicable, about material United States federal income tax considerations relating to the securities, and the securities exchange, if any, on which the securities will be listed.

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We may sell from time to time, in one or more offerings:

common stock;

preferred stock;

debt securities;

warrants to purchase common stock, preferred stock, debt securities or units; or

units comprised of common stock, preferred stock, warrants, and debt securities in any combination.

In this prospectus, we refer to the common stock, preferred stock, debt securities, warrants, and units collectively as securities. The total dollar amount of all securities that we may issue will not exceed \$75,000,000.

If we issue debt securities at a discount from their original stated principal amount, then, for purposes of calculating the total dollar amount of all securities issued under this prospectus, we will treat the initial offering price of the debt securities as the total original principal amount of the debt securities.

This prospectus may not be used to consummate a sale of securities unless it is accompanied by a prospectus supplement.

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### **DESCRIPTION OF COMMON STOCK**

The following is a description of the material terms and provisions of our common stock. It may not contain all the information that is important to you. You can access complete information by referring to our Articles of Incorporation, as amended (the "Articles of Incorporation") and bylaws, as amended (the "Bylaws").

#### ***General***

Under our Articles of Incorporation, we have authority to issue 500,000,000 shares of common stock, par value \$0.01 per share. As of June 11, 2012, there were 24,874,852 shares of common stock issued and outstanding. All shares of common stock will, when issued, be duly authorized, fully paid and nonassessable. Accordingly, the full price for the outstanding shares of common stock will have been paid at issuance and any holder of our common stock will not be later required to pay us any additional money for such common stock.

In addition, as of June 11, 2012:

there were an aggregate of 838,546 shares of our common stock subject to outstanding stock options at a weighted average exercise price of \$4.57082 per share;

2,069,549 shares of our common stock were reserved for future issuances under our stock option plans; and

there were an aggregate of 491,331 shares of our restricted stock and restricted stock units outstanding..

#### ***Dividends***

Subject to the prior rights of any series of preferred stock which may from time to time be outstanding, the holders of our common stock are entitled to receive such dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. In the event we are liquidated, dissolved or our affairs are wound up, after we pay or make adequate provision for all of our known debts and liabilities, each holder of common stock will receive dividends pro rata out of assets that we can legally use to pay distributions, subject to any rights that are granted to the holders of any class or series of preferred stock. As of the date of this prospectus, we have not declared or paid any dividends on our shares of common stock.

#### ***Voting Rights***

Holders of common stock will have the exclusive power to vote on all matters presented to our shareholders, including the election of directors, except as otherwise provided by Virginia law or as provided with respect to any other class or series of stock, as discussed in more detail below. Holders of common stock are entitled to one vote per share. There is no cumulative voting in the election of our directors, which means that, subject to any rights to elect directors that are granted to the holders of any class or series of preferred stock, a plurality of the votes cast at a meeting of shareholders at which a quorum is present is sufficient to elect a director.

#### ***Other Rights***

Subject to the preferential rights of any other class or series of stock, all shares of common stock have equal dividend, distribution, liquidation and other rights, and have no preference, appraisal or exchange rights, except for any appraisal rights provided by Virginia law. Furthermore, holders of common stock have no conversion, sinking fund or redemption rights, or preemptive rights to subscribe for any of our securities.

#### ***Transfer Agent***

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company. Its address is 10150 Mallard Creek Road, Suite 307, Charlotte, NC 28262.



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***Listing***

Our common stock is listed on the Nasdaq Capital Market under the symbol INSM.

***Registration Rights***

We have granted registration rights to certain former Transave stockholders holding an aggregate of 3,887,458 shares of our common stock. Subject to specified limitations, holders of these registration rights may require that we register all or part of the shares of common stock issued to such holders of these registration rights for sale under the Securities Act. The registration rights include two demand registrations, piggy-back registration rights, and Form S-3 shelf registration rights. The registration rights are subject to certain dollar thresholds and other limitations, including, if applicable, holdbacks at the request of underwriters.



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**DESCRIPTION OF PREFERRED STOCK**

The following is a description of the material terms and provisions of our preferred stock. It may not contain all the information that is important to you. You can access complete information by referring to our Articles of Incorporation and Bylaws and to any applicable amendment to the Articles of Incorporation designating terms of a series of preferred stock, including, without limitation, certificates of designation.

***General***

Under our Articles of Incorporation, we have authority to issue 200,000,000 shares of preferred stock, par value \$.01 per share. 500,000 shares of preferred stock were designated as Series A Junior Participating Preferred Stock by our board of directors in connection with the adoption of a rights plan. The rights plan has expired by its terms and is no longer in effect.

No shares of Series A Junior Participating Preferred Stock are outstanding as of the date of this prospectus. We do not have any other shares of preferred stock outstanding as of the date of this prospectus.

Shares of preferred stock may be issued from time to time, in one or more series, as authorized by our board of directors. Prior to the issuance of shares of each series, the board of directors is required by the Virginia Stock Corporation Act (the "VSCA") and our Articles of Incorporation to fix and determine, for each series, the preferences, rights and limitations of the shares of each series and any qualifications, limitations and restrictions thereof, as are permitted by Virginia law. Our board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of discouraging a takeover or other transactions that holders of common stock might believe to be in their best interests or in which holders of some, or a majority, of the shares of common stock might receive a premium for their shares over the then market price of such shares of common stock. See "Certain Anti-Takeover and Indemnification Provisions of our Articles of Incorporation and Bylaws and Virginia Law" in this prospectus. When issued, the preferred stock will be fully paid and nonassessable and will have no preemptive rights.

***Terms***

If we decide to issue any preferred stock pursuant to this prospectus, we will describe in a prospectus supplement the terms of the preferred stock, including, if applicable, the following:

the title of the series and stated value;

the number of shares of the series of preferred stock offered, the liquidation preference per share, if applicable, and the offering price;

the applicable dividend rate(s) or amount(s), period(s) and payment date(s) or method(s) of calculation thereof;

the date from which dividends on the preferred stock will accumulate, if applicable;

any provisions for a sinking fund;

any applicable provision for redemption and the