ANIMAS CORP
Form PREM14A
January 03, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**SCHEDULE 14A**
**(Rule 14a-101)**
**INFORMATION REQUIRED IN PROXY STATEMENT**
**SCHEDULE 14A INFORMATION**
**Proxy Statement Pursuant to Section 14(a) of the**
**Securities Exchange Act of 1934**

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box

þ Preliminary Proxy Statement
o **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

**ANIMAS CORPORATION**
(Name of Registrant as Specified in Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required
þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
**common stock, $.01 par value**
(2) Aggregate number of securities to which transaction applies:
**22,971,991 shares of common stock (includes 2,118,891 shares underlying options to purchase common stock and 78,900 warrants to purchase common stock and 10,870 shares representing the maximum number of shares that could be issued under the employee stock purchase plan)**
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
**$24.50 per share of common stock (with respect to outstanding options and warrants, the per share price was based on the difference between the $24.50 per share and the per share exercise price of in-the-money options and warrants)**
(4) Proposed maximum aggregate value of transaction: **$538,009,401.08**
(5) Total fee paid: **$57,567**

o Fee paid previously with written preliminary materials:
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing

(1) Amount previously paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:

(4) Date Filed:

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January ___, 2006

Dear Animas Stockholder:

You are cordially invited to attend the special meeting of stockholders of Animas Corporation, to be held on ____________________ ___, 2006 at ___, local time, at 200 Lawrence Drive, West Chester, PA 19380.

At the special meeting, we will ask you to adopt the merger agreement among us, Johnson & Johnson and a wholly owned subsidiary of Johnson & Johnson. If the merger is completed, you will be entitled to receive $24.50 in cash, without interest, for each share of our common stock that you own.

Our board of directors has carefully reviewed and considered the terms and conditions of the proposed merger. Based on its review, the board of directors has determined that the merger agreement, the merger and the transactions described in the merger agreement are fair to and in the best interests of our stockholders. **ACCORDINGLY, OUR BOARD OF DIRECTORS HAS APPROVED AND DECLARED ADVISABLE THE MERGER AGREEMENT AND RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.**

Your vote is important. We cannot complete the merger unless the merger agreement is adopted by the affirmative vote of the holders of a majority of our shares of common stock outstanding and entitled to vote at the special meeting. Failure to submit a signed proxy or vote in person at the special meeting will have the same effect as a vote against the adoption of the merger agreement. Only stockholders who owned shares of our common stock at the close of business on ___ ___, 2006 will be entitled to vote at the special meeting.

Certain of our stockholders have entered into a stockholder agreement in which they agreed to vote, in the aggregate, 6,153,393 shares of common stock (representing approximately 29.64% of the shares of our common stock outstanding as of the record date) in favor of adopting the merger agreement.

In addition to the number of shares of common stock covered by the stockholder agreement, an affiliate of Johnson & Johnson currently owns approximately 7.79% of the shares of our common stock outstanding as of the record date, which are expected to be voted in favor of adopting the merger agreement.

**PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY**. If you hold your shares in street name , you should instruct your broker how to vote in accordance with your voting instruction form.

This proxy statement explains the proposed merger and merger agreement, and provides specific information concerning the special meeting. Please review this document carefully.

Sincerely,

Katherine D. Crothall

President and Chief Executive Officer

**This proxy statement is dated ____________________ ___, 2006, and is first being mailed to stockholders of Animas Corporation on or about____________________ ___, 2006.**

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**ANIMAS CORPORATION**
**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**
**To be Held on____________________ __, 2006**

To the stockholders of Animas Corporation:

We will hold a special meeting of the stockholders of Animas Corporation at 200 Lawrence Drive, West Chester, PA 19380, on ___ ___, 2006 at ___ ___, local time, and any adjournments or postponements thereof, for the following purposes:

1. To consider and vote upon a proposal to adopt the merger agreement among Johnson & Johnson, Emerald Merger Sub, Inc., a wholly owned subsidiary of Johnson & Johnson, and us. In the merger, Emerald Merger Sub, Inc. will merge with and into Animas, with Animas surviving as a wholly owned subsidiary of Johnson & Johnson, and each outstanding share of our common stock will be converted into the right to receive $24.50 in cash, without interest; and

2. To transact such other business that may properly come before the special meeting and any adjournments or postponements of the special meeting, including, if submitted to a vote of the stockholders, a motion to adjourn the special meeting to another time or place for the purpose of soliciting additional proxies.

We will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournments or postponements of the special meeting. Only stockholders who owned shares of our common stock at the close of business on ___ ___, 2006, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

We cannot complete the merger unless the merger agreement is adopted by the affirmative vote of the holders of a majority of the shares of our common stock outstanding and entitled to vote at the special meeting. This proxy statement describes the proposed merger and the actions to be taken in connection with the merger and provides additional information about the parties involved. Please give this information your careful attention.

Under Delaware law, holders of our common stock who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote on the merger agreement and they comply with the Delaware law procedures explained in the accompanying proxy statement. See The Merger Appraisal Rights on page 42.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.**

Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy and return it promptly in the enclosed postage-paid return envelope. You may revoke the proxy at any time prior to its exercise in the manner described in this proxy statement. Any stockholder present at the special meeting, including any adjournments or postponements of it, may revoke such stockholder s proxy and vote personally on the proposal to adopt the merger agreement. Executed proxies with no instructions indicated thereon will be voted FOR the adoption of the merger agreement. If you fail to return your proxy or to vote in person at the special meeting, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting, and will effectively be counted as a vote against the adoption of the merger agreement. **PLEASE DO NOT SEND ANY STOCK CERTIFICATES AT THIS TIME.**

By order of the board of directors,
Sincerely,

Richard A. Baron
Secretary, Vice President, Finance and
Chief Financial Officer

West Chester, Pennsylvania ____________________ ___, 2006

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## QUESTIONS AND ANSWERS ABOUT THE MERGER

**Q: What will happen to Animas Corporation as a result of the merger?**

*A:* If the merger is completed, Emerald Merger Sub, Inc., a wholly owned subsidiary of Johnson & Johnson, will merge with and into Animas Corporation (which we refer to as Animas ), with Animas surviving as a wholly owned subsidiary of Johnson & Johnson. Animas is expected to operate as a stand-alone entity reporting through LifeScan, Inc., a Johnson & Johnson company.

**Q: What will happen to my shares of Animas common stock after the merger?**

*A:* Upon completion of the merger, each share of our outstanding common stock will automatically be canceled and will be converted into the right to receive a per share amount equal to $24.50 in cash, without interest.

**Q: What will happen to my options after the merger?**

*A:* Pursuant to the merger agreement, we have taken all action necessary to adjust the terms of all outstanding options to acquire shares of our common stock, whether vested or unvested, to provide that, upon completion of the merger, each option outstanding immediately prior to the completion of the merger will be canceled and the holder of that option will be entitled to receive a single lump sum cash payment equal to the number of shares of our common stock for which the option was exercisable, multiplied by the excess of the $24.50 per share merger consideration over the per share exercise price of the option.

**Q: What will happen to my warrants after the merger?**

*A:* Pursuant to the merger agreement, we have taken, or will take, all action necessary to cause each warrant to acquire shares of our common stock that is outstanding immediately prior to the completion of the merger to be canceled in exchange for a cash payment equal to the number of shares of our common stock subject to the warrant, multiplied by the excess of the $24.50 per share merger consideration over the per share exercise price of the warrant.

**Q: What will happen to the Animas Employee Stock Purchase Plan?**

A: Pursuant to the merger agreement, we have taken all action necessary under the employee stock purchase plan to provide that:

participants will not be permitted to increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement;

no offering period will be commenced after the date of the merger agreement;

each participant s outstanding right to purchase shares of our common stock under the plan was suspended on December 31, 2005, with all amounts allocated for each participant s account under the employee stock purchase plan as of the suspension date being used to purchase shares of our common stock at the applicable price determined pursuant to the plan, using the suspension date as the final purchase date for the then outstanding offering period; and

the employee stock purchase plan will terminate immediately preceding the closing of the merger.

**Q: Will the merger be taxable to me?**

*A*: Generally, yes. The receipt of $24.50 in cash for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. Federal income tax purposes. For U.S. Federal income tax purposes, generally you will realize taxable gain or loss as a result of the merger measured by the difference, if any, between $24.50 per share and your adjusted tax basis in that share.

You should read The Merger Material U.S. Federal Income Tax Consequences beginning on page 39 for a more complete discussion of the Federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your tax advisor to fully understand the tax consequences of the merger to you.

**Q: How does our board of directors recommend that I vote?**

*A:* Our board of directors unanimously recommends that our stockholders vote FOR the proposal to adopt the merger agreement. You should read The Merger Reasons for the Merger for a discussion of the factors that our board of directors considered in deciding to recommend the adoption of the merger agreement.

**Q: What vote of our stockholders is required to adopt the merger agreement?**

*A:* For us to complete the merger, stockholders holding at least a majority of the outstanding shares of our common stock and entitled to vote at the special meeting must vote FOR the adoption of the merger agreement.

**Q: Am I entitled to appraisal rights?**

*A:* Yes. Under Delaware law, holders of our common stock who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote on the merger agreement and they comply with the Delaware law procedures explained in this proxy statement.

**Q: What do I need to do now?**

*A:* After carefully reading and considering the information contained in this proxy statement, please complete, sign and date your proxy and return it in the enclosed postage-paid return envelope as soon as possible, so that your shares may be represented at the special meeting. You may also authorize a proxy to vote your shares by telephone or via the internet in accordance with the instructions provided herein. If you sign and send in your proxy and do not indicate how you want to vote, we will count your proxy as a vote in

favor of the adoption of the merger agreement.

**Q: What happens if I do not submit a proxy or vote in person at the special meeting?**

*A:* Because the required vote of our stockholders is based upon the number of outstanding shares of our common stock, rather than upon the shares actually voted, **the failure by the holder of any such shares to submit a proxy or to vote in person at the special meeting, including abstentions and broker non-votes, will have the same effect as a vote against the adoption of the merger agreement**. The special meeting will take place on ___ ___, 2006, at ___ ___, local time, at 200 Lawrence Drive, West Chester, PA 19380. You may attend the special meeting and vote your shares in person, rather than completing, signing, dating and returning your proxy.

**Q: Can I change my vote after I have mailed my signed proxy?**

*A:* Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy bearing a later date. If you choose either of these two methods, you must submit your notice of revocation or your new proxy to us prior to the special meeting to the attention of our Secretary at 200 Lawrence Drive, West Chester, PA 19380. Third, you can attend the special meeting and deliver a signed notice of revocation, deliver a later-dated duly executed proxy or vote in person. Attendance at the special meeting will not, in and of itself, result in the revocation of a proxy or cause shares to be voted.

**Q: If my Animas shares are held in street name by my broker or bank, will my broker or bank vote my shares for me?**

*A:* Your broker or bank will vote your Animas shares only if you provide instructions on how to vote. You should follow the directions provided by your broker or bank regarding how to instruct your broker or bank to vote your shares. Without instructions, your shares will not be voted, which will have the effect of a vote against the adoption of the merger agreement.

**Q: Should I send in my stock certificates now?**

*A:* No. After the merger is completed, you will receive a transmittal form with instructions for the surrender of Animas stock certificates. Please do not send in your stock certificates with your proxy.

**Q: When do you expect the merger to be completed?**

*A:* In addition to obtaining stockholder approval, we must satisfy all other closing conditions, including the expiration or termination of applicable regulatory waiting periods, before the merger can be completed. We currently expect to complete the merger promptly following satisfaction of such closing conditions.

**Q: Who can help answer my questions?**

*A:* If you have any questions about the merger or if you need additional copies of this proxy statement or the enclosed proxy, you should contact Georgeson Shareholder Communications, Inc., the proxy solicitor for the special meeting, at 17 State Street, 10th Floor, New York, New York 10004, or call

(___)___-_____.

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## SUMMARY

*This summary highlights selected information from this proxy statement and may not contain all the information that is important to you. You should carefully read this entire proxy statement and the other documents to which we have referred you. See also Where You Can Find Additional Information on page 69. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.*

### The Companies

*Animas Corporation (see page 12)*

*200 Lawrence Drive, West Chester, Pennsylvania 19380, Telephone: (610) 644-8990.* Animas designs, develops, manufactures, and sells external insulin pumps for people with diabetes. Animas was incorporated in Delaware in July 1996 and introduced its first generation pump in July 2000. Animas believes that it is the second largest supplier of insulin pumps to the United States market in terms of new insulin pump placements. Animas began shipping its third generation pump, the IR 1200, in April of 2004. Animas believes that the IR 1200 is the smallest full-featured insulin pump on the market. The IR 1200 has a large display, long battery life, precise insulin delivery, and enhanced waterproof integrity. In February of 2005, Animas began to ship the IR 1250. The IR 1250 utilizes the IR 1200 platform but includes additional software which incorporates a food database of up to 500 items and tunes for alerts. Animas also provides ancillary supplies on an ongoing basis for patients using our pumps, including insulin cartridges, infusion sets, batteries, and various accessories. Animas provides extensive education programs and services to people with diabetes.

Animas has approximately 130 full-time sales and clinical personnel located throughout the United States. Animas approximately 55 person direct sales force promotes its pump in the United States to healthcare professionals who advise patients on monitoring and managing their diabetes and to patients who express interest in pump therapy. Animas approximately 75 full-time equivalent diabetes educators, or clinical managers, train and provide clinical support to patients.

*Johnson & Johnson (see page 13)*

*One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, Telephone: (732) 524-0400*. Johnson & Johnson, a holding company of over 200 operating subsidiaries, is one of the world s most comprehensive and broadly based manufacturers of health care products, as well as a provider of related services, for the consumer, pharmaceutical, and medical devices and diagnostics markets. The more than 200 operating companies employ approximately 115,000 men and women in 57 countries and sell products throughout the world.

*Emerald Merger Sub, Inc. (see page 13)*

*One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, Telephone: (732) 524-0400*. Emerald Merger Sub, Inc. is a wholly-owned subsidiary of Johnson & Johnson. Emerald Merger Sub, Inc. was formed solely for the purpose of facilitating the acquisition of our company by Johnson & Johnson.

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**The Special Meeting**

*Date, Time and Place (see page 14)*

The special meeting of our stockholders will be held at 200 Lawrence Drive, West Chester, Pennsylvania 19380, at ___, local time, on ___ ___, 2006. At the special meeting, our stockholders will be asked to adopt the merger agreement.

*Record Date, Voting Power (see page 14)*

Our stockholders are entitled to vote at the special meeting if they owned shares of our common stock as of the close of business on ___ ___, 2006, the record date. On the record date, there were ___shares of our common stock outstanding. Stockholders will have one vote at the special meeting for each share of our common stock that they owned on the record date.

*Voting and Revocability of Proxies (see pages 15 and 16)*

Stockholders should complete, date and sign the accompanying proxy and promptly return it in the pre-addressed accompanying envelope. Brokers or banks holding shares in street name may vote the shares only if the stockholder provides instructions on how to vote. Brokers or banks will provide stockholders with directions on how to instruct the broker or bank to vote the shares. All properly executed proxies that we receive prior to the vote at the special meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxies. If no direction is indicated on a properly executed proxy returned to us, the underlying shares will be voted FOR the adoption of the merger agreement.

You can also authorize a proxy to vote your shares by telephone or via the internet in accordance with the instructions provided in the accompanying proxy. Voting by proxy via telephone or via the internet is fast, convenient and your proxy is immediately tabulated. Also, by using the telephone or the internet, you help us reduce postage and proxy tabulation costs. Instructions to authorize a proxy to vote your shares by telephone or via the internet may be found on your proxy card, or can be provided by your broker, our transfer agent, StockTrans, Inc., or our proxy solicitor, Georgeson Stockholder Communications, Inc. Please do not return the enclosed proxy card if you authorize a proxy to vote your shares by telephone or via the internet.

We do not expect any other business to come before the special meeting. If other business properly comes before the special meeting, the persons named as proxies will vote in accordance with their judgment.

A stockholder may revoke its proxy at any time prior to its use by delivering a signed notice of revocation or a later-dated, signed proxy to our Secretary. In addition, a stockholder may revoke its proxy by delivering, on the day of the special meeting, a signed notice of revocation or a later-dated signed proxy to the chairman of the special meeting. A stockholder also may revoke such stockholder s proxy by attending the special meeting and voting in person. Attendance at the special meeting does not in itself result in the revocation of a proxy or cause shares to be voted.

*Vote Required (see page 14)*

The adoption of the merger agreement requires the affirmative vote of stockholders holding a majority of the shares of our common stock outstanding at the close of business on the record date.

*Shares Owned by Our Directors and Executive Officers (see page 14)*

On the record date, our directors and executive officers beneficially owned and were entitled to vote shares of our common stock, which represented approximately % of the shares of our common stock outstanding on that date.

*Stockholder Agreement (see page 65)*

Certain of our stockholders have entered into a stockholder agreement with Johnson & Johnson. Under the terms of the stockholder agreement, these stockholders have agreed to vote, in the aggregate, 6,153,393 shares of our common stock (representing approximately 29.64% of our outstanding shares as of the record date) in favor of the adoption of the merger agreement and to take or refrain from taking certain related actions. A copy of the stockholder agreement is included in this proxy statement as Annex B. You are encouraged to read it carefully and in its entirety.

In addition to the number of shares of common stock covered by the stockholder agreement, an affiliate of Johnson & Johnson currently owns approximately 7.79% of our outstanding shares as of the record date, which are expected to be voted in favor of adopting the merger agreement.

*Solicitation of Proxies and Expenses (see page 16)*

We will bear the cost and expense associated with the solicitation of proxies from our stockholders. In addition to solicitation by mail, our directors, officers and employees may solicit proxies from our stockholders by telephone, internet, facsimile, or other electronic means or in person. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed for their reasonable expenses incurred in sending proxy materials to beneficial owners. We have retained Georgeson Shareholder Communications, Inc. to assist in soliciting proxies.

**The Merger**

*Structure of the Merger (see page 45)*

This proxy statement relates to the proposed acquisition of our company by Johnson & Johnson pursuant to a merger agreement, dated as of December 16, 2005, among Johnson & Johnson, Emerald Merger Sub, Inc., a wholly owned subsidiary of Johnson & Johnson, and us. If the merger is completed, we will become a wholly owned subsidiary of Johnson & Johnson.

*Consideration (see page 46)*

At the closing of the merger, our stockholders will be entitled to receive, for each share of our common stock they hold, $24.50 in cash, without interest. Based on the number of shares of our common stock outstanding on December 16, 2005 and assuming the conversion of all options and the exercise of all warrants exercisable for our common stock and the purchase of up to 10,870 shares of our common stock pursuant to our employee stock purchase plan, the aggregate consideration paid by Johnson & Johnson to our stockholders will be approximately $538 million.

*Options (see page 46)*

Pursuant to the merger agreement, we have taken all action necessary to adjust the terms of all outstanding options to acquire shares of our common stock, whether vested or unvested, to provide that, upon completion of the merger, each option outstanding immediately prior to the completion of the merger will be canceled and the holder of that option will be entitled to receive a single lump sum cash payment equal to the number of shares of our common stock for which the option was exercisable, multiplied by the excess of the $24.50 per share merger consideration over the per share exercise price of the option.

*Warrants (see page 47)*

Pursuant to the merger agreement, we have taken, or will take, all action necessary to cause each warrant to acquire shares of our common stock outstanding immediately prior to the completion of the merger to be canceled in exchange for a lump sum cash payment equal to the number of shares of our common stock subject to the warrant, multiplied by the excess of the $24.50 per share merger consideration over the per share exercise price of the warrant.

*Employee Stock Purchase Plan (see page 46)*

Pursuant to the merger agreement, we have taken all action necessary under the employee stock purchase plan to provide that: (1) participants will not be permitted to increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement, (2) no offering period will be commenced after the date of the merger agreement, (3) each participant s outstanding right to purchase shares of our common stock under the plan will be suspended on December 31, 2005, with all amounts allocated for each participant s account under the employee stock purchase plan as of the suspension date being used to purchase shares of our common stock at the applicable price determined pursuant to the plan, using the suspension date as the final purchase date for each then outstanding offering period, and (4) the employee stock purchase plan will terminate immediately preceding the closing of the merger.

*Closing*

We expect to close the merger promptly after the adoption of the merger agreement by our stockholders and after all other conditions to the merger have been satisfied or waived. At present, we anticipate that the closing will occur promptly following the special meeting of our stockholders.

**Recommendation of our Board of Directors (see page 24)**

Our board of directors has determined that the merger agreement is advisable, and that the terms of the merger agreement and the transactions described in the merger agreement are fair to, and in the best interests of, our stockholders. **The board of directors recommends that our stockholders vote FOR the adoption of the merger agreement.**

**Opinion of our Financial Advisor (see page 24)**

In connection with the merger, our board of directors received a written opinion from our financial advisor, Piper Jaffray & Co. (which we refer to in this proxy statement as Piper Jaffray ), as to the fairness, from a financial point of view, of the merger consideration to be received by holders of our common stock. The full text of Piper Jaffray s written opinion, dated December 15, 2005 is included in this proxy statement as Annex C. You are encouraged to read this opinion carefully and in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **Piper Jaffray s opinion was provided to our board of directors in its evaluation of the merger consideration, does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act with respect to any matters relating to the merger.**

**Interests of Our Directors and Executive Officers in the Merger (see page 34)**

In considering the recommendation of our board of directors to vote for the proposal to adopt the merger agreement, you should be aware that all of our directors and executive officers have personal interests in the merger that are, or may be, different from, or in addition to, your interests. Our executive officers are entitled to benefits under employment and/or change in control agreements pursuant to which they will receive severance benefits if their employment is terminated following the completion of the merger under specified circumstances.

In connection with the execution of the merger agreement and as an inducement to Johnson & Johnson to enter into the merger agreement, on December 16, 2005, we entered into an amendment to the employment agreement of our Chief Executive Officer, Katherine D. Crothall, which provides that Dr. Crothall will continue to be employed by us as President for a period of six months after the consummation of the merger. Upon the expiration of the six months or if Dr. Crothall s employment is terminated by us without cause following the consummation of the merger but prior to the expiration of such six-month period, the cash severance payments she would otherwise be entitled to receive in eighteen monthly installments shall instead be paid in a lump sum subject to her providing Animas with a release. Mr. Baron, our Chief Financial Officer, is also entitled to severance payments upon a termination without cause under the terms of his employment agreement. Mr. Baron s severance under his employment agreement will be in addition to the amounts payable under his change of control agreement.

We also have change in control agreements with Richard Baron, Audrey Finkelstein, James McGee, Douglas Schumer, Eric Schwartz, Daniel Sunday and Doug Woodruff that provide that in the event that we terminate such individual s employment without cause or such individual resigns with good reason during the period commencing 30 days before or one year after the date of a change of control, such individual is entitled to receive a lump sum payment

equal to one year of his or her then-current base salary. In addition, in the event that such individual has remained employed from the consummation of a change of control through the one-year anniversary of such change of control, such individual is entitled to receive a lump sum payment equal to one year of his or her then-current base salary.

In addition, upon completion of the merger, each outstanding option and warrant to purchase shares of our common stock held by directors and executive officers as well as our employees and former employees, whether or not the option is vested, will be canceled in exchange for a cash payment equal to the excess of the $24.50 per share merger consideration over the per share option and warrant exercise price, multiplied by the number of shares of our common stock subject to the option. Finally, the terms of the merger agreement provide for continued indemnification and liability insurance coverage of our current directors and executive officers. Our board of directors was aware of these interests and considered them, among other matters, when approving the merger agreement. For a more complete description, see The Merger Interests of Our Directors and Executive Officers in the Merger.

**Material U.S. Federal Income Tax Consequences of the Merger (see page 39)**

The receipt of $24.50 in cash for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. Federal income tax purposes. For U.S. Federal income tax purposes, generally you will realize a taxable gain or loss as a result of the merger measured by the difference, if any, between $24.50 per share and your adjusted tax basis in that share.

You should read The Merger Material U.S. Federal Income Tax Consequences beginning on page 39 for a more complete discussion of the Federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor to fully understand the tax consequences of the merger to you.

**Appraisal Rights (see page 42)**

Stockholders who do not wish to accept the $24.50 per share cash consideration payable pursuant to the merger may seek, under Delaware law, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more or less than or the same as the $24.50 in cash per share merger consideration. This right of appraisal is subject to a number of restrictions and technical requirements. Generally, in order to exercise appraisal rights, among other things:

- you must not vote in favor of the proposal to adopt the merger agreement;

- you must make a written demand on us for appraisal in compliance with Delaware law before the vote on the proposal to adopt the merger agreement at the special meeting; and

- you must hold your shares of record continuously from the time of making a written demand for appraisal until the completion of the merger.

Merely voting against the merger agreement will not preserve your right of appraisal under Delaware law. Also, because a submitted proxy not marked against or abstain will be voted for the proposal to adopt the merger agreement the submission of a proxy not marked against or abstain will result in the waiver of appraisal rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to assert appraisal rights. If you or your nominee fails to follow all of the steps required by the statute, you will lose your right of appraisal.

Annex D to this proxy statement contains the relevant provisions of Delaware law relating to your right of appraisal. We encourage you to read these provisions carefully and in their entirety.

**The Paying Agent**

JPMorgan Chase Bank, N.A. or another comparable institution will act as the paying agent in connection with the merger.

**Regulatory Filings and Approvals Required to Complete the Merger (see page 41)**

The merger is subject to discretionary review by the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission to determine whether it is in compliance with applicable antitrust laws. The Hart-Scott-Rodino Antitrust Improvements Act of 1976 prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission, and the required waiting period has ended. Both Johnson & Johnson and we filed the required notification and report forms on December 23, 2005. The completion of the merger also is subject to compliance with applicable laws of the State of Delaware. In addition, we have made filings in Germany and Austria, and the antitrust authorities in those countries must give us approval prior to the consummation of the merger.

**The Merger Agreement (see page 49)**

The merger agreement provides a detailed description of our representations and warranties to Johnson & Johnson, covenants relating to the conduct of our business, consents and approvals required for and conditions to the completion of the merger and our ability to consider other acquisition proposals. The merger agreement also provides for the automatic conversion of shares of our common stock into the right to receive the $24.50 per share merger consideration at the effective time of the merger.

**Termination of the Merger Agreement (see page 61)**

The merger agreement contains provisions addressing the circumstances under which Johnson & Johnson or we may terminate the merger agreement. In addition, the merger agreement provides that, in certain circumstances, we may be required to pay Johnson & Johnson

a termination fee of $19.7 million. For a more complete description, see The Merger Agreement Termination and Fees and Expenses.

**A COPY OF THE MERGER AGREEMENT IS INCLUDED IN THIS PROXY STATEMENT AS ANNEX A. YOU ARE STRONGLY ENCOURAGED TO READ IT CAREFULLY AND IN ITS ENTIRETY.**

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## THE COMPANIES

### Animas Corporation

We design, develop, manufacture, and sell external insulin pumps for people with diabetes. We were incorporated in Delaware in July 1996 and introduced our first generation pump in July 2000. We believe that we are the second largest supplier of insulin pumps to the United States market in terms of new insulin pump placements. We began shipping our third generation pump, the IR 1200, in April of 2004. We believe that the IR 1200 is the smallest full-featured insulin pump on the market. The IR 1200 has a large display, long battery life, precise insulin delivery, and enhanced waterproof integrity. In February 2005, we began to ship the IR 1250. The IR 1250 utilizes the IR 1200 platform but includes additional software which incorporates a food database of up to 500 items and tunes for alerts. We also provide ancillary supplies on an ongoing basis for patients using our pumps, including insulin cartridges, infusion sets, batteries, and various accessories. We provide extensive education programs and services to people with diabetes.

From the introduction of the R1000, in July 2000, through September 30, 2005, we recorded over $134.5 million of revenue in pumps and $65.0 million of revenue in ancillary supplies. For the years ended December 31, 2004, 2003, and 2002, our net revenues were $67.9 million, $34.1 million, and $23.6 million, respectively. For the nine months ended September 30, 2005 and 2004, our net revenues were $62.4 million and $47.9 million, respectively. For the three months ended September 30, 2005 and 2004, our net revenues were $21.7 million and $22.6 million, respectively.

We estimate that the size of the insulin pump and ancillary supplies market was over $540 million in the United States and over $780 million worldwide in 2004 and that the United States market has grown at a compound annual rate of over 20% during the past four years. We believe that approximately 250,000 people in the United States are using insulin pumps and that there is an estimated domestic market potential of over 1 million users. Given the increasing focus on intensive diabetes management and the opportunity to continue penetrating the potential user base, we believe that the insulin pump market is positioned for sustained growth.

We have approximately 130 full-time sales and clinical personnel located throughout the United States. Our approximately 55 person direct sales force promotes our pumps in the United States to healthcare professionals who advise patients on monitoring and managing their diabetes and to patients who express interest in pump therapy. Our approximately 75 full-time equivalent diabetes educators, or clinical managers, train and provide clinical support to patients. Our sales force and clinical managers also participate in many local community diabetes education programs and meetings and sponsor a number of courses both to educate the community in diabetes management generally and to increase awareness of pump therapy specifically.

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**Johnson & Johnson**

Johnson & Johnson, a holding company of over 200 operating subsidiaries, is one of the world s most comprehensive and broadly based manufacturers of health care products, as well as a provider of related services, for the consumer, pharmaceutical, and medical devices and diagnostics markets. The more than 200 operating companies employ approximately 115,000 men and women in 57 countries and sell products throughout the world.

Johnson & Johnson is organized into three business segments: consumer, pharmaceutical, and medical devices and diagnostics. The consumer segment manufactures and markets a broad range of products used in the baby and child care, skin care, oral and wound care and women s health care fields, as well as nutritional and over-the-counter pharmaceutical products. These products are marketed principally to the general public and sold both to wholesalers and directly to independent and chain retail outlets throughout the world.

The pharmaceutical segment includes products in the following therapeutic areas: anti-fungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic (central nervous system) and urology areas. These products are distributed directly to retailers, wholesalers and healthcare professionals for prescription use by the general public.

The medical devices and diagnostics segment includes a broad range of products used principally in the professional fields by physicians, nurses, therapists, diagnostic laboratories and clinics. These products include circulatory disease management products, orthopedic joint reconstruction and spinal care products, wound care and women s health products, minimally invasive surgical products, blood glucose monitoring products, professional diagnostic products and disposable contact lenses.

Johnson & Johnson was organized in the State of New Jersey in 1887. The address of its principal executive offices is One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, and the telephone number at that address is (732) 524-0400.

**Emerald Merger Sub, Inc.**

Emerald Merger Sub, Inc. is a wholly owned subsidiary of Johnson & Johnson. Emerald Merger Sub, Inc. is a Delaware corporation that was formed solely for the purpose of facilitating the acquisition of our company by Johnson & Johnson. The address of its principal executive offices is One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, and the telephone number at that address is (732) 524-0400.

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## THE SPECIAL MEETING

*We are furnishing this proxy statement to our stockholders as of the record date, as part of the solicitation of proxies by our board of directors for use at the special meeting.*

**Date, Time and Place**

The special meeting of our stockholders will be held at 200 Lawrence Drive, West Chester, PA 19380, at ___, local time, on ___ ___, 2006.

**Purpose of the Special Meeting**

At the special meeting, we will ask our stockholders to adopt the merger agreement. Our board of directors has determined that the merger and the other transactions described in the merger agreement are fair to, and in the best interests of, our stockholders, and has approved and declared advisable the merger agreement and recommends that our stockholders vote FOR the adoption of the merger agreement.

**Record Date; Shares Entitled to Vote; Quorum**

Only holders of record of our common stock at the close of business on ___ ___, 2006, the record date, are entitled to notice of and to vote at the special meeting. On the record date, ______________________ shares of our common stock were issued and outstanding and held by approximately ___holders of record. A quorum will be considered present at the special meeting if a majority of all the shares of our common stock issued and outstanding on the record date and entitled to vote at the special meeting are represented at the special meeting in person or by a properly executed proxy. Holders of record of our common stock on the record date are entitled to one vote per share on each matter submitted to a vote at the special meeting.

Under Delaware law and our certificate of incorporation and bylaws, if a quorum is present, the affirmative vote of a majority of the shares present in person or represented by proxy at the special meeting and voting is necessary to vote to adjourn or postpone the special meeting, assuming such a motion is made. Abstentions and broker non-votes will have no effect on any motion to adjourn or postpone the special meeting for purposes of determining whether there are sufficient votes at the time of the special meeting to approve and adopt the merger agreement.

**Vote Required**

The adoption of the merger agreement requires the affirmative vote of stockholders holding a majority of the shares of our common stock outstanding on the record date. Because the required vote of our stockholders is based upon the number of outstanding shares of our common stock, rather than upon the shares actually voted, the failure by the holder of any such shares to submit a proxy or to vote in person at the special meeting, including abstentions and broker non-votes, will have the same effect as a vote against the adoption of the merger agreement.

**Shares Owned by Our Directors and Executive Officers**

At the close of business on the record date, our directors and executive officers beneficially owned and were entitled to vote an aggregate of ___________shares of our common stock, which represented approximately ___% of the shares of our common stock

outstanding on that date. Under the terms of the stockholder agreement, certain of our stockholders have agreed to vote, in the aggregate, 6,153,393 shares of our common stock for the adoption of the merger agreement. As of the record date, such shares represented approximately 29.64% of the shares of our common stock outstanding. In addition to the number of shares of common stock covered by the stockholder agreement, an affiliate of Johnson & Johnson currently owns approximately 7.79% of the shares of our common stock outstanding as of the record date, which are expected to be voted in favor of adopting the merger agreement.

**Voting of Proxies**

All shares represented by properly executed proxies received prior to the special meeting will be voted at the special meeting in the manner specified by such proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the adoption of the merger agreement. Shares of our common stock represented at the special meeting but not voting, including shares of our common stock for which proxies have been received but with respect to which holders of shares have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

You can also authorize a proxy to vote your shares by telephone or via the internet in accordance with the instructions provided. Voting by proxy via telephone or via the internet is fast, convenient and your proxy is immediately tabulated. Also, by using the telephone or the internet, you help us reduce postage and proxy tabulation costs. Instructions to authorize a proxy to vote your shares by telephone or via the internet may be found on your proxy card, or can be provided by your broker, our transfer agent, StockTrans, Inc., or our proxy solicitor, Georgeson Shareholder Communications, Inc. Please do not return the enclosed proxy card if you authorize a proxy to vote your shares by telephone or via the internet.

Only shares affirmatively voted for the adoption of the merger agreement, including properly executed proxies that do not contain voting instructions, will be counted as favorable votes for that proposal. If a stockholder abstains from voting or does not execute a proxy, it will effectively count as a vote against the adoption of the merger agreement. Brokers or banks who hold shares of our common stock in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those customers shares in the absence of specific instructions from those customers. If no instructions are given to the broker or bank holding shares, or if instructions are given to the broker or bank indicating that the broker or bank does not have authority to vote on the proposal to adopt the merger agreement, then, in either case, the shares will be counted as present for purposes of determining whether a quorum exists, will not be voted on the proposal to adopt the merger agreement and will effectively count as votes against the adoption of the merger agreement.

The persons named as proxies by a stockholder who votes for the proposal to adopt the merger agreement may propose and vote the shares underlying any such proxies for one or more adjournments of the special meeting, including adjournments to permit further solicitations of proxies. No proxy voted against the proposal to adopt the merger agreement will be voted in favor of any such adjournment or postponement.

We do not expect that any matter other than the proposal to adopt the merger agreement will be brought before the special meeting. If, however, other matters are brought before the special meeting, the persons named as proxies will vote in accordance with their judgment.

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**Revocability of Proxies**

A stockholder can change its vote or revoke its proxy at any time before the proxy is voted at the special meeting. A proxy may be revoked by the person who executed it at, or before, the special meeting by:

- delivering to our corporate secretary a written notice of revocation of a previously delivered proxy bearing a later date than the previously delivered proxy;
- duly executing, dating and delivering to our corporate secretary a subsequent proxy;
- attending the Special Meeting and voting in person; or
- in addition to the foregoing, if you authorized a proxy to vote your shares by telephone or via the internet, you may also revoke your proxy by authorizing a new proxy by telephone or via the internet.

If a stockholder chooses either of the first two methods, it must submit its notice of revocation or its new proxy to us prior to the special meeting at 200 Lawrence Drive, West Chester, PA 19380, Attention: Richard A. Baron, Secretary. Attendance at the special meeting will not in and of itself result in the revocation of a proxy or cause shares to be voted. If you have instructed your broker to vote your shares, you must follow directions from your broker to change these instructions.

**Solicitation of Proxies**

We will bear the cost of the solicitation of proxies from our stockholders. In addition to solicitation by mail, our directors, officers and employees may solicit proxies from stockholders by telephone or other electronic means or in person. We will cause brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of stock held of record by such persons. We will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in doing so.

Georgeson Shareholder Communications, Inc., will assist in our solicitation of proxies. We will pay Georgeson a fee (not to exceed $12,000), will reimburse Georgeson for certain out-of-pocket expenses, and will indemnify Georgeson against certain losses arising out of its proxy solicitation services on our behalf.

**STOCKHOLDERS SHOULD NOT SEND STOCK CERTIFICATES WITH THEIR PROXIES** . A transmittal form with instructions for the surrender of certificates representing shares of our common stock will be mailed to stockholders shortly after completion of the merger.

**Delivery of Proxy Statement to Multiple Stockholders with the Same Address**

The U.S. Securities and Exchange Commission (the SEC ) has adopted rules that permit companies and intermediaries (for example, brokers) to satisfy the delivery requirements for proxy statements with respect to two or more stockholders sharing the same address if we believe the stockholders are members of the same family by delivering a single proxy statement addressed to those stockholders. Each stockholder will continue to receive a separate proxy card or voting instruction card. This process, which is

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commonly referred to as householding , potentially means extra convenience for stockholders and cost savings for companies by reducing the volume of duplicate information.

A number of brokers with account holders who are our stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If your household received a single proxy statement, but you would prefer to retrieve your own copy, please notify your broker and direct your written request to Georgeson Shareholder Communications, Inc. at 17 State Street, 10th Floor, New York, New York 10004, or call (___) ___-___. If you would like to receive your own set of our proxy materials in the future, please contact your broker and Georgeson to inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

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## THE MERGER

*While we believe that the following description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read this entire document, including the annexes, and the other documents we refer to for a more complete understanding of the merger and the related transactions.*

**Background of the Merger**

In January 2001, Johnson & Johnson Development Corporation, which we refer to as JJDC, a Johnson & Johnson subsidiary, invested $4 million in Animas in an equity financing including other investors. JJDC invested in subsequent equity financing rounds in February 2002 and June 2003. The total investment made by JJDC in Animas was $12.2 Million. As of the record date, JJDC owns 1,616,488 shares representing 7.79% of the outstanding shares of common stock of Animas.

From January 2001 until the initial public offering of Animas in May 2004, JJDC had the right to receive materials delivered to the board of directors and observer rights with respect to board of directors meetings.

Since June 2003, a Marketing Agreement has been in place between LifeScan, Inc., which we refer to as LifeScan, a Johnson & Johnson subsidiary, and Animas pursuant to which we have provided LifeScan s One Touch UltraSmart, a glucose meter, to users of our insulin pumps.

In December 2003, LifeScan and Animas met to discuss Johnson & Johnson s possible interest in acquiring Animas. In February 2004, Animas Directors Edward Cahill, Thomas Morse, and Dr. Crothall met with Johnson & Johnson and LifeScan executives at Johnson & Johnson s headquarters to continue these discussions. At a meeting on February 18, 2004, our board of directors concluded that it was not in the best interests of stockholders to pursue the matter further at that time.

In April 2004, Johnson & Johnson contacted Dr. Crothall and requested a meeting. The meeting was attended by Mr. Morse and Dr. Crothall, representing Animas, and Eric Milledge, Company Group Chairman of LifeScan, John Klopp, Vice-President of Business Development at LifeScan, Nick Valeriani, Worldwide Chairman, Cardiovascular Devices and Diagnostics at Johnson & Johnson, and Dominic Caruso, Vice President of Group Finance, Medical Devices and Diagnostics at Johnson & Johnson. At the meeting, Johnson & Johnson expressed its possible interest in acquiring Animas and requested three months to perform due diligence. At that time, Animas was in the process of its initial public offering which it expected to complete in May 2004. At a meeting on April 22, 2004, the board of directors of Animas concluded that allowing Johnson & Johnson to conduct due diligence and pursuing the possible transaction at that time would require that Animas not proceed with its initial public offering. The board determined that, given the financial position of Animas, it was not in the best interest of stockholders to delay completion of the initial public offering when there was no guarantee that a satisfactory transaction with Johnson & Johnson could be completed.

On its own initiative, Piper Jaffray & Co., which has provided strategic and financial advisory services to Animas from time to time and which acted as joint book-running manager with respect to the initial public offering of Animas in May 2004, discussed the possible acquisition of Animas with a number of parties in the medical device industry that Piper Jaffray thought might have an interest in an acquisition of Animas. In the course of these discussions, one third party expressed an interest in meeting with management of Animas and receiving an overview of the business. In July 2004, Dr. Crothall and a representative of Piper Jaffray met with senior management of such third party and made a presentation. No further discussions were held with the third party, which we refer to as Company X, in 2004.

In January 2005, representatives of Piper Jaffray met with Mr. Dakers and John Papa, Treasurer of Johnson & Johnson. The representatives of Johnson & Johnson indicated a desire to continue a dialogue with Animas but informed Animas that they had no immediate interest in pursuing an acquisition of Animas.

On May 6, 2005, senior management of Company X contacted Piper Jaffray and communicated that the board of directors of Company X had authorized its management to formally approach Animas to open discussions with respect to a potential acquisition of Animas. Piper Jaffray contacted Dr. Crothall to convey this message.

During May 2005, representatives of Piper Jaffray met with the board of directors of Animas and representatives of Pepper Hamilton LLP ( Pepper Hamilton ), Animas outside counsel. The parties discussed Company X s interest and the potential interest of other parties, including Johnson & Johnson. The board directed management to communicate with Johnson & Johnson and solicit its potential interest in a transaction. In light of the discussions Piper Jaffray had with industry participants and its assessment of the competitive position and interest of others, the board directed management to solicit only the interest of Johnson & Johnson in addition to Company X. The board authorized management to engage Piper Jaffray as financial advisor to Animas.

On May 23, 2005, Dr. Crothall met with a member of senior management of Company X. Company X expressed interest in receiving non-public information and to meet again for a more detailed presentation of Animas.

In May 2005, Piper Jaffray requested Johnson & Johnson to formally express its interest in acquiring Animas, should it exist. Johnson & Johnson requested a meeting with management of Animas and the receipt of non-public information.

On May 29, 2005, Dr. Crothall met with John Klopp to generally discuss Animas and Johnson & Johnson based on publicly available information. Mr. Klopp expressed interest in receiving non-public information and to meet subsequently for a more detailed presentation.

In June 2005, representatives of Animas and Pepper Hamilton negotiated confidentiality agreements with Company X and Johnson & Johnson. Johnson & Johnson signed a

confidentiality agreement on July 12, 2005, and Animas thereafter shared non-public information with Johnson & Johnson. Company X signed a confidentiality agreement on July 26, 2005, and was subsequently given access to Animas non-public information.

On July 25, 2005, Dr. Crothall, Audrey Finkelstein, Animas Executive Vice-President of Sales, Marketing, and Clinical Affairs, and a representative of Piper Jaffray met with senior management of Johnson & Johnson and LifeScan, including Nick Valeriani, Mr. Milledge, Mr. Caruso, Mr. Dakers and several other members of Johnson & Johnson s management. Dr. Crothall and Ms. Finkelstein made a presentation concerning Animas. Johnson & Johnson conveyed an interest in engaging in formal due diligence and continuing to consider an acquisition of Animas.

On August 4, 2005, Dr. Crothall, Patrick Paul, then-Vice-President of Advanced Technology at Animas, and a representative of Piper Jaffray met with senior management of Company X. Dr. Crothall and Mr. Paul made a presentation concerning Animas. Company X conveyed an interest in engaging in formal due diligence and continuing to consider an acquisition of Animas.

From August 19 to August 22, 2005, representatives of Johnson & Johnson visited Animas and received certain due diligence materials. Animas also arranged for certain members of its senior management to meet with Johnson & Johnson s representatives to answer questions.

From August 22 to September 2, 2005, representatives of Company X had several teleconferences with Animas and received certain due diligence materials.

On September 7, 2005, Dr. Crothall and a representative of Piper Jaffray met with senior management of Johnson & Johnson, including Mr. Dakers and Mr. Milledge. Johnson & Johnson expressed continued interest in an acquisition of Animas and a desire to continue due diligence.

On September 8, 2005, a senior manager of Company X contacted Piper Jaffray and expressed continued interest in pursuing due diligence of Company and continuing to consider an acquisition of Animas.

On September 8, 2005, the board of directors of Animas convened telephonically for a discussion with Dr. Crothall and Piper Jaffray regarding Animas ongoing discussions with Company X and with Johnson & Johnson. Our board authorized continued discussions with both parties.

On September 12, Dr. Crothall and Mr. Paul met with Mr. Milledge and Mr. Klopp at Johnson & Johnson s headquarters in New Brunswick to discuss Animas technology and product pipeline.

On September 22, 2005, the board of directors of Animas met to discuss the interest of both parties. Our board instructed Piper Jaffray to contact both parties and inform them that a

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competitive process for pursuing a potential acquisition of Animas was ongoing and to invite both parties to complete their due diligence and submit their proposals to acquire Animas.

On October 9, 2005, Animas made a data room available to both parties. During the months of October and November, 2005, Johnson & Johnson and Company X each continued to conduct due diligence of Animas, including meetings with senior management and the receipt of non-public information.

On November 11, 2005, Company X contacted Piper Jaffray, indicated a desire to continue due diligence of Animas and provided an indicative value for Animas.

On November 17, 2005, Johnson & Johnson provided an indicative value for Animas that was higher than that provided by Company X. Johnson & Johnson also stated that it had substantially completed its due diligence of Animas and was prepared to move quickly toward a definitive agreement to acquire Animas.

At a meeting on November 17, 2005, Piper Jaffray discussed with the board of directors of Animas the indicative valuations of each of Johnson & Johnson and Company X, as well as each party s statements regarding its ability to move definitively and timely toward an acquisition of Animas. Our board instructed Piper Jaffray to indicate to Johnson & Johnson an interest in considering a transaction if Johnson & Johnson was able to increase its indicative value for Animas. In light of the valuation proposed by Company X and its requirement for further due diligence, our board of directors determined that it was unlikely that a satisfactory transaction would result with Company X. As a result, no further proprietary information was provided to Company X.

On December 3, 2005, Mr. Valeriani contacted Dr. Crothall and proposed an acquisition of Animas at a valuation that was higher than its indicative valuation. Our board of directors convened on December 3, 2005 to discuss Johnson & Johnson s revised proposal. No formal action was taken at this meeting.

On December 6, 2005, Dr. Crothall and Mr. Morse met with Mr. Valeriani and Mr. Dakers to further discuss Johnson & Johnson s proposal. Following those discussions, Johnson & Johnson proposed a revised valuation of $24.50 per common share for the acquisition of Animas, which was higher than the valuation proposed by Johnson & Johnson on December 3, 2005. The board of directors of Animas convened that evening and received a presentation from Piper Jaffray addressing the valuation proposed by Johnson & Johnson. Our board authorized management to negotiate a definitive merger agreement with Johnson & Johnson to present to our board for its consideration and approval.

From December 7 until December 15, 2005, Animas and Johnson & Johnson negotiated the merger agreement and related documentation. On December 15, 2005, the board of directors of Animas convened to discuss the merger agreement and related documentation, as well as an analysis of the proposed transaction prepared by Piper Jaffray. The Piper Jaffrey analysis, which had been distributed to our board of directors for consideration prior to the meeting, addressed the fairness, from a financial point of view, of Johnson & Johnson s offer to the holders of Animas common stock. Following the presentations made by the legal and

financial advisors of Animas, our board of directors approved the merger agreement and the merger.

**Reasons for the Merger**

The board of directors of Animas in attendance at a special meeting held on December 15, 2005 unanimously determined that the merger agreement and the transactions contemplated thereby are fair, advisable to and in the best interests of our stockholders and unanimously approved the merger agreement. The board of directors unanimously recommends that you vote FOR the adoption of the merger agreement at the special meeting.

In the course of determining that the merger agreement is fair, advisable to and in the best interests of our stockholders, our board of directors consulted with management, as well as its legal and financial advisors, and considered the following potentially positive factors:

- the potential stockholder value that could be expected to be generated from remaining an independent company and the assessment by management and our board of directors that this alternative was not reasonably likely to create greater value for our stockholders than the merger;

- the familiarity of our board of directors with, and information provided by management as to, our business, financial condition, results of operations and competitive position, the nature of our business and our strategic objectives, including the micropump and microneedle projects, and the risks involved in achieving those objectives, as well as information provided by management and our financial advisor as to the industry in which we compete and general economic and market conditions;

- the belief by our board of directors that we have obtained the highest price per share that Johnson & Johnson is willing to pay, taking into account the extensive negotiations between the parties and indications of price from another party;

- our assessment as to the low likelihood that a third party would offer a higher price than Johnson & Johnson; taking into account the extensive discussions we held with another party, Company X, referenced in the Background of the Merger and the contacts our management and our financial advisor have had over time with other potential acquirors;

- the fact that the merger consideration is all cash, which provides certainty of value to holders of our common stock compared to a transaction in which stockholders would receive stock;

- the support for the merger expressed by certain of our principal stockholders, as evidenced by the stockholder agreement;

- the financial presentation of Piper Jaffray, including its opinion, dated December 15, 2005, to our board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of our common stock, as more fully described below under The Merger Opinion of Our Financial Advisor Piper Jaffray;

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- the fact that the merger would be subject to the approval of our stockholders and that if a higher offer were to be made to our stockholders prior to the completion of the merger, our stockholders (other than those party to the stockholder agreement) are free not to approve the merger with Johnson & Johnson;
- the availability of appraisal rights for our stockholders who properly exercise their statutory appraisal rights;
- the current and historical market prices of our common stock relative to the $24.50 per share merger consideration, and the fact that $24.50 per share represented a 34.6% premium over the closing price of our common stock on December 15, 2005 and a 40.4% premium to the average closing price of our common stock over the 20 trading day period up to and including December 15, 2005; and
- the terms of the merger agreement, as reviewed by our board of directors with our legal advisors, including:
  - sufficient operating flexibility for us to conduct our business in the ordinary course between signing and closing;
  - the absence of a financing condition; and
  - our ability to furnish information to and conduct negotiations with a third party, as more fully described under The Merger Agreement No Solicitation.

Our board of directors also considered a number of potentially negative factors in its deliberations concerning the merger, including, but not limited to:

- that we will no longer exist as an independent company and our stockholders will no longer participate in our growth;
- that, under the terms of the merger agreement and the stockholder agreement, neither we nor the relevant stockholders can solicit other acquisition proposals, we must pay to Johnson & Johnson a termination fee if the merger agreement is terminated under certain circumstances, and certain holders of our common stock have agreed to vote, in the aggregate, approximately 29.64% of the shares of our common stock outstanding (as of the record date) for the merger, and an affiliate of Johnson & Johnson owns approximately 7.79% of the shares of our common stock outstanding as of the record date, all of which may deter others from proposing an alternative transaction that may be more advantageous to our stockholders;
- the fact that gains from an all-cash transaction would be taxable to our stockholders for U.S. federal income tax purposes;
- that, while the merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed even if approved by our stockholders (see The Merger Agreement Conditions to the Completion of the Merger ); and

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the possibility of disruption to our operations following announcement of the merger, and the resulting effect on our company if the merger does not close.

During its consideration of the transaction with Johnson & Johnson, our board of directors was also aware that all of our directors and executive officers have interests in the merger that are, or may be, different from, or in addition to, those of our stockholders generally, as described under The Merger Interests of Our Directors and Executive Officers in the Merger.

While our board of directors considered potentially negative and potentially positive factors, our board of directors concluded that, overall, the potentially positive factors outweighed the potentially negative factors.

The foregoing discussion summarizes the material information and factors considered by our board of directors in its consideration of the merger. Our board of directors collectively reached the decision to approve the merger agreement in light of the factors described above and other factors that each member of our board of directors felt were appropriate. In view of the variety of factors and the quality and amount of information considered, our board of directors did not find it practicable to and did not make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. Individual members of our board of directors may have given different weight to different factors.

**Recommendation of Our Board of Directors**

Our board of directors has determined that the merger and the other transactions described in the merger agreement are fair to, and in the best interests of, our stockholders. Accordingly, our board of directors has approved and declared advisable the merger agreement and unanimously recommends that our stockholders vote FOR the adoption of the merger agreement.

**Opinion of Our Financial Advisor Piper Jaffray & Co.**

Animas retained Piper Jaffray to act as its financial advisor, and, if requested, to render to the board of directors of Animas an opinion as to the fairness, from a financial point of view, to the holders of common stock of the merger consideration proposed to be paid in the merger.

The full text of the Piper Jaffray written opinion dated December 15, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Piper Jaffray in rendering its opinion, is attached as Annex C and is incorporated in its entirety herein by reference. Holders of our common stock are urged to, and should, carefully read the Piper Jaffray opinion in its entirety. The Piper Jaffray opinion addresses only the fairness of the merger consideration, from a financial point of view and as of the date of the opinion, to holders of common stock of the merger consideration proposed to be paid in the merger. The Piper Jaffray opinion was directed to Animas board of directors and was not intended to be, and does not constitute, a recommendation to any of our stockholders as to how our stockholders should vote or act on any matter relating to the proposed merger.

In arriving at its opinion, Piper Jaffray, among other things, reviewed:

the financial terms of the draft of the merger agreement dated December 14, 2005;

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- certain publicly available financial, business and operating information related to Animas;
- certain internal financial projections for Animas that were prepared for financial planning purposes and furnished to Piper Jaffray by the management of Animas;
- certain publicly available market and securities data of Animas;
- certain financial, market performance and other data of certain other public companies that Piper Jaffray deemed relevant;
- the financial terms, to the extent publicly available, of certain merger transactions that Piper Jaffray deemed relevant; and
- other information, financial studies, analyses and investigations and other factors that Piper Jaffray deemed relevant for purposes of its opinion.

In addition, Piper Jaffray performed a discounted cash flow analysis for Animas on a stand-alone basis. Piper Jaffray conducted such other analyses, examinations and inquiries and considered such other financial, economic and market criteria as Piper Jaffray deemed necessary and appropriate in arriving at its opinion. Piper Jaffray also conducted discussions with members of the senior management of Animas and members of the board of directors of Animas concerning the financial condition, historical and current operating results, business and prospects for Animas.

The following is a summary of the material financial analyses performed by Piper Jaffray in connection with the preparation of its fairness opinion, which was reviewed with our board at a meeting held on December 6, 2005 and was formally delivered to our board at a meeting held on December 15, 2005. The preparation of analyses and a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, this summary does not purport to be a complete description of the analyses performed by Piper Jaffray or of its presentations to our board on December 6 and 15, 2005.

This summary includes information presented in tabular format, which tables must be read together with the text of each analysis summary, and considered as a whole, in order to fully understand the financial analyses presented by Piper Jaffray. The tables alone do not constitute a complete summary of the financial analyses. The order in which these analyses are presented below, and the results of those analyses, should not be taken as any indication of the relative importance or weight given to these analyses by Piper Jaffray. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 13, 2005, and is not necessarily indicative of current market conditions.

*Consideration*

Giving effect to the $24.50 per share cash consideration, the outstanding common stock of Animas and outstanding options and warrants to purchase common stock, Piper Jaffray calculated the aggregate net equity value of Animas in the merger to be approximately $538.0 million and the aggregate enterprise value (equity value plus debt less cash) of Animas to be approximately $518.6 million.

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*Comparable Public Company Analysis*

Piper Jaffray reviewed selected financial data and ratios for Animas management s internal forecasts for 2005, 2006 and 2007 and compared them to corresponding consensus Wall Street analyst forecasts, where applicable, for publicly traded companies that are engaged primarily in the medical technology industry and which Piper Jaffray believed were similar to Animas business. Piper Jaffray selected these companies based on information obtained by searching SEC filings, public company disclosures, press releases, industry and popular press reports, databases and other sources and by applying the following criteria:

- companies with medical technology Standard Industrial Classification codes;
- business models with primary capital equipment were omitted;
- companies with revenue for the last twelve months between $50 million and $150 million;
- companies with expected 2005 versus 2004 revenue growth greater than 15%; and
- companies with expected 2006 versus 2005 revenue growth between 15% and 50%.

Based on these criteria, Piper Jaffray identified and analyzed 8 comparable companies: Angiodynamics, Cepheid, Digene, Given Imaging, I-Flow, LifeCell Corp., OraSure and Tripath Imaging.

Piper Jaffray compared valuation multiples for Animas derived from the aggregate values based on the market price and the merger consideration and projected revenue and earnings data for Animas, on the one hand, to valuation multiples for the selected comparable companies derived from their market valuation and projected revenue and earnings data, on the other hand.

This analysis produced valuation multiples as follows:

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| | Animas | | Comparable Companies Multiples | | | |
|---|---|---|---|---|---|---|
| | Current (1) | Merger Consideration(2) | Minimum | Mean | Median | Maximum |
| Enterprise value as a multiple of estimated year 2005 revenues(3) | 4.3x | 6.2x | 2.5x | 5.1x | 4.4x | 8.3x |
| Enterprise value as a multiple of estimated year 2006 revenues(3) | 3.4x | 4.8x | 2.1x | 4.0x | 3.6x | 6.7x |
| Enterprise value as a multiple of estimated year 2007 revenues(3) | 2.6x | 3.6x | 1.8x | 3.4x | 3.3x | 5.4x |
| Price-to-earnings ratio 2006(3) | 43.4x | 61.0x | 36.5x | 45.7x | 40.1x | 58.6x |
| Price-to-earnings ratio 2007(3) | 20.0x | 28.0x | 19.4x | 27.9x | 23.6x | 39.7x |

(1) Based on closing market price of $17.69 of Animas common stock on December 13, 2005.

(2) Based on the merger consideration of $24.50 per share.

(3) Revenues and earnings for Animas for the calendar years 2005, 2006 and 2007 are based on Animas management estimates. Revenues and earnings for the comparable

companies for calendar years 2005, 2006 and 2007 are based on consensus Wall Street analyst forecasts.

Piper Jaffray, among other things, compared the enterprise value of each of the comparable companies to their respective estimated revenues for the calendar years 2005, 2006 and 2007 in order to determine the ratio between enterprise value and revenue for each comparable company. Piper Jaffray also calculated the price-to-earnings ratio for each comparable company for the same periods. The implication of this analysis is that the higher the ratio of enterprise value to revenue or the higher the price-to-earnings ratio, as applicable, for a given company, the greater the implied value of the company. This analysis showed that, based on the estimates and assumptions used in the analysis, (i) when comparing the enterprise value to estimated revenue for the calendar years 2005, 2006 and 2007, the proposed merger consideration implied a value for Animas that was within the range of values of the comparable companies and (ii) when comparing the projected price-to-earnings ratio for calendar years 2006 and 2007, the proposed merger consideration implied a value for Animas that exceeded the multiples for 2006 and was within the range of values of the comparable companies in 2007.

*Comparable Transaction Analysis*

Piper Jaffray reviewed transactions involving target companies that it deemed comparable to Animas. Piper Jaffray selected these transactions by searching SEC filings, public company disclosures, press releases, industry and press reports, databases and other sources and by applying the following criteria:

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transactions involving target companies with medical technology Standard Industrial Classification codes;

transactions that were announced or completed since January 1, 1998, in which the target company had revenues during the last twelve months of greater than $25 million and with expected future twelve months revenue versus last twelve months revenue growth between 15% and 30%; and

transactions in which the acquiring company purchased a controlling interest in the target;

Based on these criteria, the following transactions were deemed similar to the proposed transaction: the acquisitions of Advanced Neromodulation by St. Jude Medical, CTI Molecular Imaging by Siemens AG, Closure Medical by Johnson & Johnson, Endocardial Solutions by St. Jude Medical, ALARIS Medical Systems, Inc. by Cardinal Health, Horizon Medical Products, Inc. by RITA Medical Systems, Interpore International by Biomet, TheraSense by Abbott Laboratories, Invivo Corporation by Intermagnetics General, I-Stat Corporation by Abbott Laboratories, Oratec Interventions by Smith & Nephew, Inverness Medical (Diabetes) by Johnson & Johnson, Biometrix by Genzyme Biosurgery, Implant Innovations Inc. by Biomet and Xomed by Medtronic.

Piper Jaffray calculated the enterprise value to the revenues for the last twelve months preceding each transaction and to projected revenues for the twelve consecutive months following each transaction, or the forward period, and the equity value to net income for the forward period for each transaction. Piper Jaffray then compared the results of these calculations with similar calculations for the merger. The analysis indicated the following multiples:

| | **Animas** | | **Comparable Selected Medical Technology Transaction Multiples** | | | |
|---|---|---|---|---|---|---|
| | **Current (1)** | **Merger Consideration(2)** | **Minimum** | **Mean** | **Median** | **Maximum** |
| Enterprise value to revenues for last twelve months(3) | 4.4x | 6.3x | 2.2x | 6.0x | 5.5x | 11.3x |
| Enterprise value to projected revenues for forward period(4) | 3.7x | 5.2x | 1.9x | 4.9x | 4.5x | 8.6x |
| Equity value to projected net income for forward period(4) | 86.2x | 120.9x | 18.8x | 51.8x | 49.8x | 131.3x |

(1) Based on closing market price of $17.69 of Animas common stock on December 13, 2005.

(2) Based on the merger consideration of $24.50 per share.

(3) Revenue for Animas for the last twelve months is for the twelve months ending September 30, 2005. Revenue and net income for the last twelve months preceding a comparable transaction is based on reported SEC sources and published analyst estimates.

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(4) Projected revenue and net income for the forward period for Animas is based on Animas management s estimates for the twelve months ending September 30, 2006. Projected revenue and net income for the forward period for the comparable transactions is based on published research analysts estimates.

Piper Jaffray also reviewed other transactions involving target companies that it deemed comparable to Animas. Piper Jaffray selected these transactions by searching SEC filings, public company disclosures, press releases, industry and press reports, databases and other sources and by applying the following criteria:

- transactions involving target companies with medical technology Standard Industrial Classification codes;
- transactions that were announced or completed since January 1, 1996, in which the target company s business involved primarily diabetes; and
- transactions in which the acquiring company purchased a controlling interest in the target.

Based on these criteria, the following transactions were deemed similar to the proposed transaction: the acquisition of TheraSense by Abbott Laboratories, Disetronic Holdings AG by Roche Holdings AG, Minimed by Medtronic, Inverness Medical (Diabetes) by Johnson & Johnson and MediSense by Abbott Laboratories.

Piper Jaffray calculated the enterprise value to the revenues for the last twelve months preceding each transaction and to projected revenues for the twelve consecutive months following each transaction, or the forward period, and the equity value to net income for the forward period for each transaction. Piper Jaffray then compared the results of these calculations with similar calculations for the merger. The analysis indicated the following multiples:

| | **Animas** | | **Comparable Diabetes Transaction Multiples** | | | |
|---|---|---|---|---|---|---|
| | **Current (1)** | **Merger Consideration(2)** | **Minimum** | **Mean** | **Median** | **Maximum** |
| Enterprise value to revenues for last twelve months(3) | 4.4x | 6.3x | 4.8x | 7.1x | 5.5x | 10.1x |
| Enterprise value to projected revenues for forward period(4) | 3.7x | 5.2x | 4.0x | 5.9x | 4.7x | 8.6x |

| | | | | | | |
|---|---|---|---|---|---|---|
| Equity value to projected net income for forward period(4) | 86.2x | 120.9x | 23.2x | 67.1x | 56.9x | 131.3x |

(1) Based on closing market price of $17.69 of Animas common stock on December 13, 2005.

(2) Based on the merger consideration of $24.50 per share.

(3) Revenue for Animas for the last twelve months is for the twelve months ending September 30, 2005. Revenue and net income for the last twelve months preceding a comparable transaction is based on reported SEC sources and published analyst estimates.

(4) Projected revenue and net income for the forward period for Animas is based on Animas management s estimates for the twelve months ending September 30, 2006. Projected revenue and net income for the forward period for the comparable transactions is based on published research analysts estimates.

The two transactional analyses above showed that, based on the estimates and assumptions used in the analyses, (i) the enterprise value implied by the proposed merger consideration as a multiple of revenues for the last twelve months and projected revenues for the forward period was within the range of similar multiples for the comparable transactions and (ii) the equity value implied by the proposed merger consideration as a multiple of projected net income for the forward period was within the range of similar multiples for the comparable transactions.

*Premiums Paid Analysis*

Piper Jaffray reviewed publicly available information for selected completed or pending transactions to determine the premiums payable in the transactions over recent trading prices and over the 52-week high trading price for the target companies. Piper Jaffray selected these transactions by searching SEC filings, public company disclosures, press releases, industry and popular press reports, databases and other sources and by applying the following criteria:

- transactions involving a change in control;
- transactions involving target companies with medical technology Standard Industrial Classification codes; and
- transactions announced since July 1, 2001 with deal size greater than $100 million.

This group included the acquisition of Advanced Neuromodulation by St. Jude Medical, ALARIS Medical Systems by Cardinal Health, Centerpulse by Zimmer, Closure Medical by Johnson & Johnson, Compex Technologies by Encore Medical, CTI Molecular Imaging by Siemens AG, Disetronic by Roche Holdings, Endocardial Solutions by St. Jude Medical, Fusion Medical Technologies by Baxter International, Getz Brothers & Co. Inc. by St. Jude Medical, Guidant by Johnson & Johnson, I-Stat by Abbott Laboratories, Imatron by GE Medical Systems, Inamed by Medicis, Instrumentarium by General Electric, Interpore International by Biomet, Invivo Corp. by Intermagnetics General Corp., MedSource Technologies by UTI Corp., Ocular Sciences by Cooper Companies, Oratec Interventions by Smith & Nephew, Sola International by Carl Zeiss & EQT, TheraSense by Abbott Laboratories, VidaMed by

Medtronic and VISX by Advanced Medical Optics. The table below shows a comparison of premiums paid in these transactions to the premium that would be paid to Animas stockholders based on the merger consideration payable in the transaction.

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| | Merger Consideration | Comparable Premium (Discount) | | | |
|---|---|---|---|---|---|
| | | Minimum | Mean | Median | Maximum |
| One week before announcement(1) | 37.8% | 3.1% | 31.0% | 25.0% | 75.1% |
| Four weeks before announcement(2) | 50.5% | 1.1% | 31.4% | 26.6% | 69.7% |
| 52-week high(3) | 8.9% | (29.6%) | 5.4% | 3.6% | 39.7% |

(1) Company premium based on closing stock price of $17.78 on December 6, 2005.

(2) Company premium based on closing stock price of $16.28 on November 14, 2005.

(3) Company premium based on 52-week high stock price of $22.50 on February 28, 2005.

Piper Jaffray observed that the premium implied by the merger consideration was within the range of premiums paid in the selected transactions based on the market price one week before announcement and four weeks before announcement and based on the 52-week high for the market price.

*Discounted Cash Flows Analysis*

Piper Jaffray performed a discounted cash flows analysis for Animas in which it calculated the present value of the projected future cash flows of Animas using internal financial planning data prepared by Animas management. Piper Jaffray estimated a range of theoretical values for Animas based on the net present value of Animas projected annual cash flows and a terminal value for Animas at December 31, 2009. Piper Jaffray applied a range of discount rates of 17.5% to 22.5%, based on an analysis of the weighted average cost of capital for companies in the comparable companies group described above and Piper Jaffray s judgment concerning the rates of return investors would expect in similar investments and a range of terminal value multiples of 12x to 14x of forecasted fiscal 2009 earnings before interest, taxes, depreciation and amortization. This analysis resulted in implied per share values of Animas common stock ranging from a low of $21.63 to a high of $28.08. Piper Jaffray observed that the merger consideration was within the range of values derived from this analysis.

Although the summary set forth above does not purport to be a complete description of the analyses performed by Piper Jaffray, the material analyses performed by Piper Jaffray in rendering its opinion have been summarized above. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Piper Jaffray believes that its analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses or of the summary, without considering the analyses as a whole or all of the factors included in its analyses, would create an incomplete view of the processes underlying the analyses set forth in the Piper Jaffray opinion. In arriving at its opinion, Piper Jaffray considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Instead Piper Jaffray made its determination as to the fairness on the basis of its experience and financial judgment after considering the results of all of its analyses. The fact that any specific analysis has been referred

to in the summary above is not meant to indicate that this analysis was given greater weight than any other analysis. No company or transaction used in the above analyses as a comparison is directly comparable to Animas or the proposed merger.

The analyses of Piper Jaffray are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. Analyses relating to the value of companies do not purport to be appraisals or valuations or necessarily reflect the price at which companies may actually be sold. No company or transaction used in any analysis for purposes of comparison is identical to Animas or the merger. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies to which Animas was compared and other factors that could affect the public trading or comparable transaction value of the companies. These analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors. Piper Jaffray does not assume responsibility if future results are materially different from those forecasted.

As described above, Piper Jaffray s opinion to the board was one of many factors taken into consideration by the board in making its determination to approve the merger agreement. The above summary does not purport to be a complete description of the analyses performed by Piper Jaffray in connection with the opinion and is qualified by reference to the written opinion of Piper Jaffray set forth in Annex C.

Piper Jaffray relied upon and assumed the accuracy, completeness and fairness of the financial, accounting and other information provided to it by Animas or otherwise made available to it, and did not assume the responsibility to independently verify this information. Animas has advised Piper Jaffray that it does not publicly disclose internal financial information of the type provided to Piper Jaffray, that such information was prepared for planning purposes and not with the expectation of public disclosure, and that there is no assurance that any forward looking financial information or projections contained in such internal financial information will be realized. Piper Jaffray also assumed, in reliance upon the assurances of the management of Animas, that the information provided to Piper Jaffray by Animas was prepared on a reasonable basis, in accordance with industry practice, and, with respect to financial forecasts, projections and other estimates and other business outlook information, reflected the best currently available estimates and judgments of the management of Animas, was based on reasonable assumptions and that there is not, and the management of Animas was not aware of, any information or facts that would make the information provided to Piper Jaffray incomplete or misleading. Piper Jaffray expresses no opinion as to such financial forecasts, projections and other estimates and other business outlook information or the assumptions on which they are based. Without limiting the generality of the foregoing, Piper Jaffray assumed that Animas was not a party to any material pending transaction, including any external financing, recapitalization, acquisition or merger, divestiture or spin-off other than the proposed merger.

Piper Jaffray assumed that the final form of the merger agreement would be in all material respects identical to the last draft reviewed by Piper Jaffray, without modification of material terms or conditions by Animas, Johnson & Johnson or any other party thereto. Piper Jaffray also assumed that the merger would be consummated pursuant to the terms of the merger agreement reviewed by Piper Jaffray without amendments thereto and with full satisfaction of all covenants and conditions without any waiver by any party of any material obligation thereunder.

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In arriving at its opinion, Piper Jaffray assumed that all necessary regulatory approvals and consents required for the merger would be obtained in a manner that would not adversely affect Animas or alter the terms of the merger. Piper Jaffray expressed no opinion regarding whether the necessary approvals or other conditions to the consummation of the merger would be obtained or satisfied.

Piper Jaffray did not perform any appraisals or valuations of any specific assets or liabilities (fixed, contingent or other) of Animas, and was not furnished with any appraisals or valuations. The analyses performed by Piper Jaffray were going concern analyses. Piper Jaffray expressed no opinion regarding the liquidation value of Animas. Without limiting the generality of the foregoing, Piper Jaffray did not undertake any independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities to which Animas or any of its affiliates is a party or may be subject, and at the direction of Animas, and with its consent, Piper Jaffray s opinion made no assumption concerning, and therefore did not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

Piper Jaffray s opinion was necessarily based upon the information available to it and facts and circumstances as they existed and were subject to evaluation as of the date of the opinion; events occurring after the date of the opinion could materially affect the assumptions used by Piper Jaffray in preparing its opinion. Piper Jaffray expressed no opinion as to the price at which shares of Animas common stock have traded or may trade following the announcement of the merger or at any time after the date of the opinion. Piper Jaffray has not agreed or undertaken to reaffirm or revise its opinion or otherwise comment on any events occurring after the date it was given and does not have any obligation to update, revise or reaffirm its opinion.

In connection with its engagement, Piper Jaffray was requested to and did solicit indications of interest from, and hold discussions with, selected third parties regarding the possible acquisition of all or part of Animas. While Piper Jaffray rendered its opinion and provided certain analyses to the Animas board of directors, Piper Jaffray was not requested to, and did not make, any recommendation to the board as to the specific form or amount of the consideration to be received by Animas stockholders in the proposed merger, which was determined through negotiations between Animas and Johnson & Johnson. Piper Jaffray was not requested to opine as to, and its opinion does not address, the basic business decision to proceed with or effect the merger or the structure thereof, or the relative merits of the merger compared to any alternative business strategy or transaction in which Animas might engage.

Piper Jaffray is regularly engaged as a financial advisor in connection with mergers and acquisitions, underwritings and secondary distributions of securities and private placements. The Animas board of directors selected Piper Jaffray to render its fairness opinion in connection with the proposed merger on the basis of its experience and reputation in acting as a financial advisor in connection with mergers and acquisitions. Piper Jaffray in the ordinary course of its business may actively trade securities of Animas for its own account or the accounts of its customers and, accordingly, may at any time hold long or short positions in these securities.

Piper Jaffray acted as financial advisor to Animas in connection with the merger. Under the terms of our engagement letter with Piper Jaffray, Animas has agreed to pay Piper Jaffray a $500,000 fee for providing the opinion that is not contingent upon consummation of the

proposed merger. Animas has also agreed to pay Piper Jaffray a fee in the event of the consummation of the proposed merger currently estimated to be approximately $4,600,000. Whether or not the proposed merger is consummated, Animas has also agreed to reimburse Piper Jaffray for its reasonable out-of-pocket expenses and to indemnify it against certain liabilities relating to or arising out of services performed by Piper Jaffray in rendering its opinion to the Animas board of directors. These fees and expenses are customary amounts for transactions of this type.

**Interests of Our Directors and Executive Officers in the Merger**

In considering the recommendation of our board of directors with respect to the merger, our stockholders should be aware that all of our directors and executive officers have personal interests in the merger that are, or may be, different from, or in addition to, your interests. Our board of directors was aware of the interests described below and considered them, among other matters, when approving the merger.

*Employment Agreements with Executive Officers*

On February 20, 2004, we entered into an amended and restated employment agreement with Katherine D. Crothall, our President and Chief Executive Officer. In connection with the execution of the merger agreement and as an inducement to Johnson & Johnson to enter into the merger agreement, on December 16, 2005, we, Johnson & Johnson and Dr. Crothall entered into a modification to her employment agreement. Under the terms of the revised agreement, following the consummation of the merger, Dr. Crothall will continue to be employed by us as President for a period of six months. If Dr. Crothall s employment terminates at the expiration of such six-month period, or if her employment is terminated by us without cause following the consummation of the merger but prior to the expiration of such six-month period, the cash severance payments that she would otherwise be entitled to receive in eighteen monthly installments pursuant to the employment agreement shall instead be payable to her in a lump sum amount as soon as practicable following her termination of employment. If Dr. Crothall s employment terminates following the consummation of the merger but prior to the expiration of such six-month period by reason of a constructive termination without cause (within the meaning of her employment agreement entered into in February 2004) or her voluntary resignation, Dr. Crothall would be entitled to receive the severance compensation and benefits that she would otherwise be entitled to receive upon a termination of her employment by us without cause pursuant to the employment agreement (with any applicable cash severance payments being paid in eighteen monthly installments as provided in her employment agreement). Dr. Crothall has also agreed to waive any pro-rata bonus that would otherwise be payable to her pursuant to the employment agreement upon a termination of employment. Dr. Crothall subjected herself to increased non-compete and non-solicitation/non-hire restrictions which were for five years and three years, respectively, following the consummation of the merger. If the merger agreement is terminated, the modification to her employment agreement described above will be void and have no further force and effect.

In addition, in connection with the execution of the merger agreement, on December 16, 2005, we entered into an amendment to Dr. Crothall s employment agreement whereby our severance obligations to Dr. Crothall were modified to be consistent with the amendment to the change in control agreements relating to Section 409A of the Internal Revenue Code, described below.

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On February 20, 2004, we entered into an employment agreement with our Chief Financial Officer, Richard Baron. Under his employment agreement, if we terminate Mr. Baron s employment for cause or he voluntarily terminates his employment for any reason, Mr. Baron will receive only those benefits required to be provided to him by the terms of any of our applicable benefit plans. If we terminate Mr. Baron s employment without cause and he executes a release of claims that he may have against Animas, we will continue to pay Mr. Baron his then-current base salary and benefits for the 12-month period following his date of termination and certain other benefits required by the terms of our applicable benefit plans. Mr. Baron s severance under his employment agreement will be in addition to the amounts payable under his change in control agreement, described below. Mr. Baron s employment agreement also contains non-competition provisions prohibiting him from competing against us during his term of employment and for two years after a termination of employment. In connection with the execution of the merger agreement, on December 22, 2005, we entered into an amendment to Mr. Baron s employment agreement whereby our severance obligations to Mr. Baron were modified to be consistent with the amendment to the change in control agreements relating to Section 409A of the Internal Revenue Code, described below.

*Change in Control Agreements with Executive Officers*

We entered into change in control agreements with Richard Baron, Audrey Finkelstein, James McGee, Douglas Schumer, Eric Schwartz, Daniel Sunday and Doug Woodruff that provide that in the event that we terminate such individual s employment without cause or such individual resigns with good reason during the period commencing 30 days before or one year after the date of a change of control, such individual is entitled to receive a lump sum payment equal to one year of his or her then-current base salary. In addition, in the event that such individual has remained employed from the consummation of a change of control through the one-year anniversary of such change of control, such individual is entitled to receive a lump sum payment equal to one year of his then-current base salary.

The following chart sets forth, for each of Animas executive officers, the estimated value of the cash severance (or retention) payments and other benefits due the executive officer (based on payments under employment agreements plus bonuses and payments under change of control agreements) as of December 15, 2005 (the date of the merger agreement) excluding the amount of any excise tax gross-up and the value of any stock options subject to accelerated vesting (See Outstanding Stock Options and Employee Stock Purchase Plan ).

| **Executive Officers** | **Payment and Benefit Amount ($)** |
|---|---|
| Katherine D. Crothall, President and Chief Executive Officer | 585,000 |
| Richard A. Baron, Vice President Finance and Chief Financial Officer | 512,000 |

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| Executive Officers | Payment and Benefit Amount ($) |
| --- | --- |
| Audrey Finkelstein, Executive Vice President, Marketing, Sales and Clinical | 349,000 |
| James McGee, Executive Vice President | 247,000 |
| Eric Ian Schwartz, Vice President | 223,000 |