Ardea Biosciences, Inc./DE
Form PREM14A
May 10, 2012
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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 ¨

Check the appropriate box:

þ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

ARDEA BIOSCIENCES, INC.

(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)

¨ 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 of Ardea Biosciences, Inc., par value $0.001 per share

2. Aggregate number of securities to which transaction applies:
42,014,007 shares of common stock (which includes the number of shares of common stock issuable upon exercise or vesting of outstanding stock options, restricted stock awards and warrants and the shares of common stock issuable 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):
Calculated to be equal to the sum of (i) 36,964,561 shares of common stock outstanding (including shares of restricted stock) as of May 7, 2012 multiplied by $32.00 per share, (ii) 4,455,793 shares of common stock issuable upon exercise of outstanding options to purchase common stock as of May 7, 2012 multiplied by $15.05 per share (which is equal to the difference between $32.00 and the weighted average exercise price of such options), (iii) 562,791 shares of common stock issuable upon exercise of outstanding warrants to purchase common stock as of May 7, 2012 multiplied by $20.86 per share (which is equal to the difference between $32.00 and the weighted average exercise price of such warrants) and (iv) 30,862 shares of common stock to be purchased during the current offering period under the employee stock purchase plan as of May 7, 2012 (which is equal to the total amount of participants payroll deductions for the current offering period under the employee stock purchase plan divided by $16.31 (85% of the fair market value (determined in accordance with the terms of the employee stock purchase plan) of Ardea s common stock on November 15, 2011, the first day of the most recent two-year offering period)) multiplied by $32.00 per share. In accordance with Exchange Act Rule 0-11(c)(1), the filing fee was calculated by multiplying the aggregate value of the transaction by 0.00011460.

4. Proposed maximum aggregate value of transaction: $1,262,653,044.26

5. Total fee paid: $144,700.04

¨ Fee paid previously with preliminary materials.

¨ 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.

6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

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PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Ardea Biosciences, Inc., a Delaware corporation (we , us , our or Ardea), Zeneca Inc., a Delaware corporation and wholly owned subsidiary of AstraZeneca PLC (Zeneca), and QAM Corp., a Delaware corporation and wholly owned subsidiary of Zeneca (Merger Sub), entered into an agreement and plan of merger, dated as of April 21, 2012, pursuant to which Merger Sub will merge with and into Ardea and Ardea will become a wholly owned subsidiary of Zeneca upon completion of the merger. The board of directors of each of Ardea and Zeneca has unanimously approved the merger agreement and the merger.

Pursuant to the terms of the merger agreement, upon completion of the merger, Ardea s stockholders will have the right to receive $32.00 in cash for each share of Ardea common stock they own.

We are soliciting proxies for use at a special meeting of our stockholders to consider and vote upon (i) a proposal to adopt the merger agreement, (ii) a proposal to approve on an advisory, non-binding basis the compensation that may be paid or become payable to Ardea s named executive officers in connection with the merger, including the agreements and understandings pursuant to which such compensation may be paid or become payable, and (iii) an adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposal to adopt the merger agreement. **Our board of directors unanimously recommends that you vote FOR each of the foregoing proposals. Approval of the proposal to adopt the merger agreement is necessary to complete the merger.**

Your vote is very important. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Ardea common stock entitled to vote on the matter either in person or by proxy at the special meeting. The approval on an advisory, non-binding basis of the compensation that may be paid or become payable to our named executive officers in connection with the merger requires the affirmative vote of the holders of a majority of the shares of Ardea common stock present and entitled to vote on the matter either in person or by proxy at the special meeting. The approval of an adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the shares of Ardea common stock present and entitled to vote either in person or by proxy at the special meeting. Whether or not you plan to attend the Ardea special meeting, please submit your proxy as soon as possible to make sure that your shares of Ardea common stock are represented at the special meeting.

In connection with the execution of the merger agreement, the holders of approximately 29.6% of the total shares of Ardea common stock outstanding as of April 20, 2012 (the last trading day prior to the public announcement of the proposed merger) entered into voting agreements with Zeneca that provide, among other things, that they will vote in favor of adoption of the merger agreement and the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement.

The accompanying proxy statement provides you with detailed information about the proposed merger, the compensation that may be paid or become payable to our named executive officers in connection with the merger and the special meeting. We encourage you to read the entire proxy statement and the merger agreement carefully. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement. You may also obtain more information about Ardea from documents we have filed with the U.S. Securities and Exchange Commission.

Barry D. Quart, Pharm.D.

President & Chief Executive Officer

This proxy statement is dated , 2012 and is first being mailed to our stockholders on or about , 2012.

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ARDEA BIOSCIENCES, INC.

4939 Directors Place

San Diego, California 92121

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2012

Dear Stockholder:

You are cordially invited to attend the special meeting of stockholders of Ardea Biosciences, Inc., a Delaware corporation (we , us , our or Ardea). The special meeting will be held on , 2012 at 10:00 a.m. Pacific Time at our offices located at 4939 Directors Place, San Diego, California 92121 for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of April 21, 2012, by and among Ardea, Zeneca Inc., a wholly owned subsidiary of AstraZeneca PLC, and QAM Corp., a wholly owned subsidiary of Zeneca Inc.;

2. To consider and vote upon a proposal to approve on an advisory, non-binding basis the compensation that may be paid or become payable to Ardea s named executive officers in connection with the merger, including the agreements and understandings pursuant to which such compensation may be paid or become payable; and

3. To consider and vote upon a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1.

The board of directors of Ardea has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to and in the best interests of Ardea and our stockholders, has authorized and approved the merger agreement and the transactions contemplated thereby, including the merger, and unanimously recommends that you vote FOR the adoption of the merger agreement, FOR the advisory, non-binding approval of the compensation that may be paid or become payable to our named executive officers in connection with the merger and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement at the time of the special meeting.

Only holders of record of shares of our common stock at the close of business on , 2012 are entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, Ardea had outstanding and entitled to vote shares of common stock. Holders of Ardea common stock are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger if they meet certain conditions, as more fully described in the proxy statement accompanying this notice.

Your vote is very important. The affirmative vote of the holders of a majority of the outstanding shares of Ardea common stock entitled to vote on the matter either in person or by proxy at the special meeting is required for the approval of Proposal No. 1. The affirmative vote of the holders of a majority of the shares of Ardea common stock present and entitled to vote on the matter either in person or by proxy at the special meeting is required for the approval of Proposal Nos. 2 and 3.

All of our stockholders are cordially invited to attend the special meeting in person. **However, even if you plan to attend the special meeting in person, we request that you complete, date, sign and return the enclosed proxy card in the postage-paid envelope or submit your proxy by telephone or over the Internet as instructed in these materials as promptly as possible prior to the special meeting to ensure that your shares of Ardea common stock will be represented at the special meeting if you are unable to attend. If you**

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sign, date and mail your proxy card without indicating how you wish to vote, all of your shares will be voted FOR Proposal Nos. 1, 2 and 3. If you fail to return your proxy card as instructed on the enclosed proxy card or fail to submit your proxy by telephone or over the Internet and do not 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 have the same effect as an AGAINST vote with respect to Proposal No. 1, but will have no effect with respect to Proposal Nos. 2 and 3. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

Pursuant to rules adopted by the U.S. Securities and Exchange Commission, Ardea has elected to provide access to its proxy materials both by sending you this full set of proxy materials, including a proxy card, and by making a copy of the proxy materials available to you on the Internet. This proxy statement and Ardea s 2011 Annual Report on Form 10-K are available at Ardea s website at *www.ardeabio.com*.

This proxy statement provides you with detailed information about the merger and the other business to be considered by you at the special meeting. **We encourage you to read the entire document carefully.**

By Order of the Board of Directors

Barry D. Quart, Pharm.D.

President & Chief Executive Officer

, 2012

IMPORTANT: Whether or not you expect to attend the special meeting, please complete, date, sign and return the enclosed proxy card or submit your proxy by telephone or over the Internet as instructed in these materials as promptly as possible in order to ensure that your shares of Ardea common stock will be represented at the special meeting. A return envelope (which is postage prepaid if mailed in the U.S.) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the special meeting and withdraw your proxy. Please note, however, that if your shares of Ardea common stock are held of record by a broker or other nominee and you wish to vote at the special meeting, you must obtain a proxy issued in your name from that record holder prior to the special meeting.

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SUMMARY

This summary highlights selected information from this proxy statement. It may not contain all of the information that is important to you with respect to the Merger Proposal (as defined below) or any other matter described in this proxy statement. We urge you to carefully read this proxy statement, as well as the documents attached to, referred to or incorporated by reference into this proxy statement, to fully understand the Merger (as defined below). In particular, you should read the Merger Agreement (as defined below) and the form of voting agreement, which are described elsewhere in this proxy statement and are attached hereto as Annexes A and B, respectively. For a list of documents incorporated by reference into this proxy statement, see the section entitled Where You Can Find Additional Information beginning on page 81.

The Companies

Ardea Biosciences, Inc.

Ardea Biosciences, Inc. (we , us , our or Ardea) is a biotechnology company based in San Diego, California, focused on the development small-molecule therapeutics for the treatment of serious diseases. Ardea s most advanced clinical-stage product candidates include lesinurad, formerly known as RDEA594, a selective, oral URAT1 transporter inhibitor for the chronic management of hyperuricemia in patients with gout, and BAY 86-9766, formerly known as RDEA119, a specific inhibitor of mitogen-activated ERK kinase (MEK) for the treatment of cancer, which is being developed under a global license agreement with Bayer HealthCare AG (Bayer).

Ardea was incorporated in the State of Delaware in January 1994. Ardea s corporate offices are located at 4939 Directors Place, San Diego, California 92121 and its telephone number is (858) 652-6500. Ardea s website address is *www.ardeabio.com*. Ardea common stock is listed on the NASDAQ Global Select Market and trades under the symbol RDEA . Additional information regarding Ardea and its subsidiary is included in documents incorporated by reference into this proxy statement. See the section entitled Where You Can Find Additional Information beginning on page 81.

AstraZeneca PLC

AstraZeneca PLC, a U.K. public limited company (AstraZeneca), together with its subsidiaries, is engaged in the discovery, development and commercialization of pharmaceutical products. The principal business address of AstraZeneca is 2 Kingdom Street, London, England W2 6BD, United Kingdom and its telephone number is +44 20 7604 8000.

Zeneca Inc.

Zeneca Inc., a Delaware corporation and wholly owned indirect subsidiary of AstraZeneca (Zeneca), is engaged in the business of managing certain assets and liabilities of the AstraZeneca group. The principal business address of Zeneca is 1800 Concord Pike, Wilmington, Delaware 19803 and its telephone number is (800) 236-9933.

QAM Corp.

QAM Corp., a Delaware corporation and wholly owned subsidiary of Zeneca (Merger Sub), was incorporated in April 2012 solely for the purpose of facilitating the Merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement. The principal business address of Merger Sub is 1800 Concord Pike, Wilmington, Delaware 19803 and its telephone number is (800) 236-9933.

The Merger

Ardea, Zeneca and Merger Sub have entered into an Agreement and Plan of Merger, dated as of April 21, 2012 (the Merger Agreement), which provides that, subject to the terms and conditions of the Merger Agreement and in accordance with the Delaware General Corporation Law (the DGCL), Merger Sub will

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merge with and into Ardea (the Merger), with Ardea continuing as the surviving corporation and wholly owned subsidiary of Zeneca. Our board of directors has unanimously approved the Merger Agreement and the Merger. The Merger will become effective when a certificate of merger is filed with the Secretary of State of the State of Delaware or at such other time as agreed to by Ardea and Zeneca and specified in the certificate of merger (the Effective Time). For a more complete discussion of the Merger, see the section entitled The Merger beginning on page 17.

What Stockholders of Ardea Will Receive in the Merger

At the Effective Time, by virtue of the Merger and without any action on the part of the holders of shares of Ardea common stock, each outstanding share of Ardea common stock, other than any shares owned by Ardea, Zeneca or Merger Sub, or any wholly owned subsidiary of Ardea or Zeneca, or any stockholders who are entitled to and who properly exercise appraisal rights under the DGCL, will be converted into the right to receive $32.00 in cash (the Merger Consideration), without interest. At such time, all shares of Ardea common stock will no longer be outstanding and will automatically be canceled and retired and will cease to exist, and each holder of a certificate representing any such shares of Ardea common stock or of any shares of Ardea common stock that are in non-certificated book-entry form (Book-Entry Shares) will cease to have any rights as a stockholder with respect thereto, except for the right to receive the Merger Consideration to be paid in consideration therefor upon surrender of such certificate or Book-Entry Shares, as applicable (other than stockholders who properly exercise appraisal rights under the DGCL, who will have the rights specified in the DGCL).

Treatment of Stock Options, Warrants and Restricted Stock Awards

At the Effective Time, each outstanding (i) Ardea stock option will fully vest and be canceled and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of the excess, if any, of $32.00 over the exercise price of such option and the number of shares of Ardea common stock underlying such option; (ii) Ardea warrant that is canceled in accordance with the terms of the Merger Agreement as of the Effective Time will be exchanged for an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of the excess of $32.00 over the exercise price of such warrant and the number of shares of Ardea common stock underlying such warrant; and (iii) Ardea restricted stock award will fully vest and be canceled and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of $32.00 and the number of shares of Ardea common stock subject to such Ardea restricted stock award.

As of , 2012, the latest practicable date before the printing of this proxy statement, there were outstanding options to purchase shares of our common stock, shares of our common stock subject to Ardea restricted stock awards and outstanding warrants to purchase shares of our common stock.

For a more complete discussion of the treatment of Ardea stock options, restricted stock awards and warrants, see the section entitled The Merger Treatment of Stock Options, Warrants and Restricted Stock Awards beginning on page 17.

Termination of the Employee Stock Purchase Plan

Pursuant to the terms of the Merger Agreement, prior to the Effective Time, we will cause the exercise of each outstanding purchase right under our 2000 Employee Stock Purchase Plan (the ESPP), and make any pro rata adjustments necessary to reflect the shortened offering period but otherwise cause such shortened offering period to be treated as a fully effective and completed offering period for all purposes under the ESPP. On the fifth business day prior to the completion of the Merger, we will apply the funds credited as of such date under the ESPP within each participant s payroll withholding account to the purchase of whole shares of Ardea common stock in accordance with the terms of the ESPP. Immediately prior to and effective as of the Effective Time, the ESPP will be terminated and each share of Ardea common stock purchased under the ESPP will be automatically converted into the right to receive the Merger Consideration, without interest.

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Recommendation of the Board of Directors of Ardea and its Reasons for the Merger

Our board of directors, after considering the factors described in the section entitled The Merger Recommendation of the Board of Directors of Ardea and its Reasons for the Merger beginning on page 31, and after consulting with its legal and financial advisors, has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger. Our board of directors has determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable and fair to and in the best interests of Ardea and our stockholders, and therefore unanimously recommends that you vote FOR the proposal to adopt the Merger Agreement (the Merger Proposal), FOR the proposal to approve on an advisory, non-binding basis the compensation that may be paid or become payable to our named executive officers in connection with the Merger (the Merger-Related Compensation Proposal) and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal. In certain circumstances and subject to certain conditions set forth in the Merger Agreement, the board of directors of Ardea may change its recommendation with respect to the Merger Proposal. For a more complete discussion of the recommendations of our board of directors and its reasons for approving the Merger and the circumstances under which the board of directors of Ardea may change its recommendation with respect to the Merger Proposal, see the sections entitled The Merger Recommendation of the Board of Directors of Ardea and its Reasons for the Merger and The Merger Agreement Board Recommendation beginning on pages 31 and 67, respectively.

Opinion of Ardea s Financial Advisor

In connection with the Merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated (BofA Merrill Lynch), Ardea s financial advisor, delivered to our board of directors a written opinion, dated April 20, 2012, as to the fairness, from a financial point of view, of the per share merger consideration of $32.00 to be received by holders of Ardea common stock. The full text of the written opinion of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this proxy statement and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to our board of directors (in its capacity as such) for the benefit and use of our board of directors in connection with and for purposes of its evaluation of the per share merger consideration of $32.00 from a financial point of view. BofA Merrill Lynch s opinion does not address any other aspect of the Merger and no opinion or view was expressed as to the relative merits of the Merger in comparison to other strategies or transactions that might be available to us or in which Ardea might engage or as to the underlying business decision of Ardea to proceed with or effect the Merger. BofA Merrill Lynch s opinion does not address any other aspect of the Merger and does not constitute a recommendation to any stockholder of Ardea as to how to vote or act in connection with the proposed Merger or any related matter.** For a more complete discussion of BofA Merrill Lynch s opinion, see the section entitled The Merger Opinion of Ardea s Financial Advisor beginning on page 35.

Interests of the Directors and Executive Officers of Ardea in the Merger

You should be aware that certain of our directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of the stockholders of Ardea generally.

Interests of our directors and executive officers that may be different from, or in addition to, the interests of stockholders of Ardea relate to (i) the accelerated vesting of all Ardea stock options held by our directors and executive officers, exercisable for an aggregate of 2,523,158 shares of Ardea common stock with an aggregate value under the Merger Agreement of approximately $39,406,940, (ii) the cancelation of warrants held by Dr. Felix J. Baker and Mr. Kevin C. Tang, each of whom are members of our board of directors, exercisable for an aggregate of 237,876 shares of Ardea common stock with an aggregate value under the Merger Agreement of approximately $4,962,093, (iii) the accelerated vesting of all Ardea restricted stock awards held by Mr. Stephen R. Davis, our Executive Vice President, Chief Operating Officer, comprised of 15,228 shares of Ardea common stock having an aggregate value under the Merger Agreement of approximately $487,296, (iv) the consideration to be received by Dr. Barry D. Quart, our President and Chief Executive Officer and a

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member of our board of directors, Mr. Davis and Ms. Kimberly J. Manhard, our Senior Vice President, Regulatory Affairs & Development Operations, in respect of the cancelation of their respective ESPP accounts in connection with the termination of the ESPP in the aggregate amount of $36,416 (assuming the Merger was completed on April 30, 2012 and the funds in such accounts were applied to the purchase of shares of Ardea common stock on April 23, 2012, the fifth business day prior to April 30, 2012 and, as such, the date on which such funds are to be applied in accordance with the terms of the Merger Agreement), (v) the Merger-related cash bonus payments payable to the executive officers of Ardea in the aggregate amount of $815,260, (vi) the severance payments and benefits that may be paid or become payable to our named executive officers upon termination of employment in connection with the completion of the Merger in the aggregate amount of approximately $3,095,135 and (vii) the right to continued indemnification and insurance coverage for our directors and executive officers following the completion of the Merger, pursuant to the terms of the Merger Agreement.

Our board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and in recommending that our stockholders approve the Merger Proposal.

For a more complete discussion of the interests of our directors and executive officers in the Merger, see the section entitled The Merger Interests of the Directors and Executive Officers of Ardea in the Merger beginning on page 42.

Material U.S. Federal Income Tax Consequences of the Merger

The exchange of Ardea common stock for cash pursuant to the Merger Agreement will be a taxable transaction for U.S. federal income tax purposes. Stockholders of Ardea who exchange their shares in the Merger generally will recognize gain or loss in an amount equal to the difference, if any, between the cash received in the Merger and their adjusted tax basis in their shares of Ardea common stock. **You should consult your tax advisor for a complete analysis of the effect of the Merger on your federal, state, local and/or foreign taxes.**

Regulatory Approvals

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules and regulations promulgated thereunder, the Merger may not be completed until the required information and materials have been furnished to the Antitrust Division of the U.S. Department of Justice (the Antitrust Division) and the U.S. Federal Trade Commission (the FTC), and until certain waiting period requirements have expired or terminated. Ardea and Zeneca each filed notification and report forms under the HSR Act with the FTC and the Antitrust Division on May 3, 2012.

For a more complete discussion of the regulatory approvals relating to the Merger, see the section entitled The Merger Regulatory Approvals Required for the Merger beginning on page 49.

Appraisal Rights

Under the DGCL, stockholders of Ardea are entitled to appraisal rights in connection with the Merger. For additional information about appraisal rights, see the provisions of Section 262 of the DGCL, attached to this proxy statement as Annex D, and the section entitled The Merger Appraisal Rights beginning on page 49.

Conditions to the Completion of the Merger

We expect to complete the Merger as soon as possible following the approval of the Merger Proposal at the special meeting. Completion of the Merger will only be possible, however, after all closing conditions contained in the Merger Agreement are satisfied or waived, including stockholder approval of the Merger Proposal at the special meeting. It is possible, therefore, that factors within and/or outside of our control could require us to complete the Merger at a later time or not complete it at all.

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The obligations of Ardea and Zeneca to complete the Merger are each subject to the satisfaction or waiver by the party entitled to the benefit thereof of the following conditions, among others:

- the accuracy as of the date of the Merger Agreement and as of the closing date of the Merger (or as of an earlier specified date) of the other party s representations and warranties contained in the Merger Agreement (without giving effect to materiality or material adverse effect qualifications), provided that inaccuracies will be disregarded so long as the circumstances giving rise to all such inaccuracies, considered collectively, do not constitute, and would not reasonably be expected to have, a material adverse effect on such other party, except that the representations and warranties of Ardea related to organization and good standing, authority relative to the Merger Agreement, capitalization, finders and brokers and takeover statutes shall be accurate other than in any *de minimis* respect;

- prior performance by the other party, in all material respects, of all of its obligations under the Merger Agreement required to be completed by such other party at or prior to the completion of the Merger; and

- with respect to the obligation of Zeneca to complete the Merger, the absence of any Company Material Adverse Effect (as defined below) since the date of the Merger Agreement.

In addition, the obligations of Ardea and Zeneca to complete the Merger are each subject to the satisfaction of the following conditions (which, in order to complete the Merger, may not be waived):

- approval by the stockholders of Ardea of the Merger Proposal;

- expiration or termination of any applicable waiting period under the HSR Act; and

- absence of any law or order that prohibits or makes illegal the completion of the Merger.

For a more complete discussion of the conditions to the completion of the Merger, see the section entitled The Merger Agreement Conditions to the Completion of the Merger beginning on page 69.

No Solicitation

In the Merger Agreement, we have agreed that we will not, and we will not authorize or permit our subsidiary or our or its respective directors, officers, employees, agents or other representatives to, directly or indirectly:

- solicit, initiate or knowingly encourage, knowingly induce or knowingly take any other action that would reasonably be expected to lead to the making, submission or announcement of any proposal or inquiry that constitutes, or is reasonably likely to lead to, an alternative acquisition proposal with respect to Ardea;

- participate in discussions or negotiations regarding any proposal that constitutes, or would reasonably be expected to lead to the making, submission or announcement of, an alternative acquisition proposal with respect to Ardea;

- furnish any non-public information with respect to Ardea in connection with an alternative acquisition proposal or any inquiry that would reasonably be expected to lead to the making, submission or announcement of, an alternative acquisition proposal with respect

to Ardea;

approve or recommend any alternative acquisition proposal or any letter of intent or other contract contemplating an alternative acquisition proposal with respect to Ardea or requiring us to abandon or terminate our obligations under the Merger Agreement; or

resolve or agree to do any of the foregoing.

The Merger Agreement does not, however, prohibit us from considering an unsolicited written alternative acquisition proposal from a third party made after the date of the Merger Agreement in circumstances not involving a material breach of the Merger Agreement prior to obtaining the requisite stockholder approval of the

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Merger Proposal if specified conditions are met. For a more complete discussion of the prohibition on solicitation of alternative acquisition proposals from third parties, see the section entitled The Merger Agreement No Solicitation beginning on page 66.

Termination of the Merger Agreement

Generally, and except as specified in the section entitled The Merger Agreement Termination of the Merger Agreement beginning on page 70, the Merger Agreement may be terminated and the Merger may be abandoned at any time prior to the completion of the Merger, including after stockholder approval of the Merger Proposal is obtained:

by mutual written consent of Ardea and Zeneca; or

by either party, if:

the Merger has not been completed on or prior to November 30, 2012;

a court of competent jurisdiction or other governmental body issues a final and non-appealable order prohibiting the Merger;

after a vote duly taken, the required approval of the Merger Proposal by the stockholders has not been obtained at the special meeting (or at any adjournment or postponement thereof); or

subject to cure periods, the other party s representations and warranties are inaccurate or the other party fails to comply with its covenants, in each case, such that the closing conditions relating to the accuracy of the other party s representations and warranties or the performance of the other party s covenants, as applicable, would not be satisfied; or

by Zeneca, if:

at any time prior to the approval of the Merger Proposal, the board of directors of Ardea (i) has changed its recommendation with respect to the Merger Proposal in a manner adverse to Zeneca, (ii) fails to include its recommendation in this proxy statement, (iii) adopts, approves, endorses or recommends any alternative acquisition proposal or (iv) fails to recommend against a tender or exchange offer relating to our securities within 10 business days following the commencement of such offer; or

Ardea materially breaches its no solicitation obligations; or

by Ardea, if:

subject to its compliance with certain requirements contained in the no solicitation covenants of the Merger Agreement, Ardea enters into a definitive agreement giving effect to an alternative acquisition transaction providing for a superior proposal and pays to Zeneca the termination fee described below.

For a more complete discussion of termination of the Merger Agreement, see the section entitled The Merger Agreement Termination of the Merger Agreement beginning on page 70.

Termination Fees and Expenses

If the Merger Agreement is terminated (i) by either Ardea or Zeneca because the stockholders of Ardea have voted not to approve the Merger Proposal or the Merger has not been completed on or prior to November 30, 2012, and, in either case, at such time a third party or Ardea has publicly disclosed that such third party has made, or is considering making, an alternative acquisition proposal (and such alternative acquisition proposal has not been publicly withdrawn prior to the applicable time provided in the Merger Agreement), and within 12 months after the date of termination of the Merger Agreement we enter into a definitive agreement giving effect to an alternative acquisition proposal or (ii) by us because, prior to the completion of the Merger, we enter into a definitive agreement giving effect to an alternative acquisition transaction providing for a superior proposal, we will be required to pay Zeneca a termination fee of $41 million. Additionally, the termination fee will be payable by us to Zeneca upon termination of the Merger Agreement by Zeneca under certain circumstances.

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For a more complete discussion of termination fees and expenses, see the section entitled The Merger Agreement Termination Fees and Expenses beginning on page 71.

Voting Agreements

In connection with the execution of the Merger Agreement, Dr. Quart, Dr. Baker and Mr. Tang, each of whom is a member of our board of directors, and certain affiliates of Dr. Baker and Mr. Tang (collectively, the Key Stockholders) entered into voting agreements in favor of Zeneca (collectively, the Voting Agreements). Pursuant to the Voting Agreements, the Key Stockholders have agreed to vote, or cause to be voted, all shares of Ardea common stock beneficially owned by them in favor of the Merger Proposal and any proposal to adjourn or postpone any meeting of the stockholders of Ardea to a later date if there are not sufficient votes in favor of the Merger Proposal on the date on which such meeting is held. In addition, the Key Stockholders have agreed to vote all such shares against (i) any proposal made in opposition to, or in competition with, the consummation of the Merger or any other transactions contemplated by the Merger Agreement; or (ii) any acquisition transaction or any other action involving Ardea that is intended to or would reasonably be expected to impede, prevent, delay or adversely affect the Merger or any other transactions contemplated by the Merger Agreement. As of , 2012, the latest practicable date before the printing of this proxy statement, the shares of Ardea common stock beneficially owned by the Key Stockholders and thus subject to the Voting Agreements constituted approximately % of the total outstanding shares of Ardea common stock on that date.

For a more complete discussion of the Voting Agreements, see the section entitled The Voting Agreements beginning on page 72.

Matters to Be Considered at the Special Meeting

Date, Time and Place. The special meeting will be held on , 2012 at 10:00 a.m. Pacific Time at our offices located at 4939 Directors Place, San Diego, California 92121.

Matters to be Considered at the Special Meeting. At the special meeting, and any adjournments or postponements thereof, you will be asked to:

- approve the Merger Proposal;
- approve the Merger-Related Compensation Proposal; and
- approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal.

Record Date. Our board of directors has fixed the close of business on , 2012 as the record date for determining the stockholders of Ardea entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof.

Required Vote. Approval of the Merger Proposal requires the affirmative vote of the holders of a majority of the shares of Ardea common stock outstanding and entitled to vote on the matter. Approval of the Merger-Related Compensation Proposal requires the affirmative vote of the holders of a majority of shares of Ardea common stock present and entitled to vote on the matter either in person or by proxy at the special meeting. Approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal requires the affirmative vote of the holders of a majority of the shares of Ardea common stock present and entitled to vote on the matter either in person or by proxy at the special meeting. As of the close of business on the record date for the special meeting, there were shares of Ardea common stock outstanding.

Stockholders should not send in their stock certificates with their proxies. A letter of transmittal with instructions for use in surrendering all shares of Ardea common stock, whether represented by stock certificates or Book-Entry Shares, will be mailed to stockholders if the Merger is completed.

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Legal Proceedings Related to the Merger

A putative class action lawsuit has been filed by a purported stockholder of Ardea against AstraZeneca, Ardea, the members of the board of directors of Ardea and certain executive officers of Ardea challenging the proposed Merger and seeking, among other things, to enjoin the defendants from completing the Merger pursuant to the terms of the Merger Agreement. If the plaintiffs are successful in obtaining an injunction prohibiting us from completing the Merger pursuant to the terms of the Merger Agreement, such an injunction may prevent the completion of the Merger in the expected timeframe (or altogether).

The putative class action lawsuit was filed in the Superior Court of the State of California, County of San Diego, purportedly on behalf of the stockholders of Ardea, against AstraZeneca, Ardea and the directors and President and Chief Executive Officer of Ardea alleging, among other things, that Ardea s directors breached their fiduciary duties to the stockholders of Ardea in connection with the proposed Merger and that AstraZeneca aided and abetted this alleged breach of fiduciary duties. The complaint seeks, among other things, to enjoin the defendants from completing the Merger pursuant to the terms of the Merger Agreement and recovery of attorney s fees and costs. See the section entitled The Merger Legal Proceedings Related to the Merger beginning on page 52.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are some questions that you, as a stockholder of Ardea, may have regarding the Merger and the special meeting, together with brief answers to those questions. We urge you to read carefully the remainder of this proxy statement, including the annexes and other documents referred to or incorporated by reference in this proxy statement, because the information in this section may not provide all of the information that might be important to you with respect to the Merger or the special meeting.

Q: What is the Merger?

A: Ardea, Zeneca and Merger Sub entered into the Merger Agreement, pursuant to which Merger Sub will merge with and into Ardea and Ardea will become a wholly owned subsidiary of Zeneca upon completion of the Merger. As a result of the Merger, Ardea will no longer be a publicly held corporation, Ardea s common stock will be delisted from the NASDAQ Global Select Market and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and Ardea will no longer file periodic reports with the U.S. Securities and Exchange Commission (the SEC) on account of Ardea common stock.

Q: Why am I receiving these materials?

A: We are sending you these materials to help you decide how to vote your shares of Ardea common stock with respect to the proposed Merger, the advisory vote on the compensation that may be paid or become payable to our named executive officers in connection with the Merger and the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposed Merger.

This document contains important information about the Merger and the special meeting, and you should read it carefully.

Q: What will stockholders receive in the Merger?

A: Upon completion of the Merger, you will have the right to receive $32.00 in cash for each share of Ardea common stock you hold, without interest (see the section entitled The Merger Agreement Merger Consideration beginning on page 56). You will not receive the Merger Consideration if you have properly exercised and not withdrawn appraisal rights under the DGCL with respect to such shares. The stockholders of Ardea do not have the option of receiving Zeneca or AstraZeneca stock in the Merger in lieu of the Merger Consideration.

Q: What will holders of Ardea stock options, warrants and restricted stock awards receive in the Merger?

A: At the Effective Time, each outstanding and unexercised option to purchase shares of Ardea common stock will fully vest and be canceled and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of the excess, if any, of $32.00 over the exercise price of such option and the number of shares of Ardea common stock underlying such option. Each outstanding warrant to purchase shares of Ardea common stock that is canceled in accordance with the terms of the Merger Agreement as of the Effective Time will be exchanged for an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of the excess of $32.00 over the exercise price of such warrant and the number of shares of Ardea common stock underlying such warrant. In addition, each outstanding Ardea restricted stock award will fully vest immediately prior to and will be canceled at the Effective Time and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of $32.00 and the number of shares of Ardea common stock subject to such restricted stock award.

For a more complete discussion of what holders of Ardea stock options, warrants and restricted stock awards will receive in connection with the Merger, see the section entitled The Merger Treatment of Stock Options, Warrants and Restricted Stock Awards beginning on page 17.

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Q: What if I am a participant in Ardea s employee stock purchase plan?

A: Pursuant to the terms of the Merger Agreement, prior to the Effective Time, we will cause the exercise of each outstanding purchase right under the ESPP, and make any pro rata adjustments necessary to reflect the shortened offering period but otherwise cause such shortened offering period to be treated as a fully effective and completed offering period for all purposes under the ESPP. On the fifth business day prior to the completion of the Merger, we will apply the funds credited as of such date under the ESPP within each participant s payroll withholding account to the purchase of whole shares of Ardea common stock in accordance with the terms of the ESPP. Immediately prior to and effective as of the Effective Time, the ESPP will be terminated and each share of Ardea common stock purchased under the ESPP will be automatically converted into the right to receive a cash payment equal to $32.00 per share, without interest.

Q: Do the directors and executive officers of Ardea have interests in the Merger that the stockholders of Ardea do not have?

A: Some of the directors and executive officers of Ardea have interests in the Merger that may be different from, or in addition to, your interests as a stockholder, including accelerated vesting of stock options and restricted stock awards, consideration payable in respect of canceled warrants, consideration payable in respect of the cancelation of ESPP accounts in connection with the termination of the ESPP, Merger-related cash bonus payments and potential severance payments and related benefits, in each case upon completion of the Merger. The board of directors of Ardea was aware of these interests and considered them, among other matters, prior to making their determination to recommend the adoption of the Merger Agreement to the stockholders of Ardea. See the section entitled The Merger Interests of the Directors and Executive Officers of Ardea in the Merger beginning on page 42.

Q: What stockholder approval is required to complete the Merger?

A: As a condition to the completion of the Merger, our stockholders must approve the Merger Proposal, which approval requires the affirmative vote of the holders of a majority of the shares of Ardea common stock outstanding and entitled to vote on the matter.

In connection with the execution of the Merger Agreement, the holders of approximately 29.6% of the total shares of Ardea common stock outstanding as of April 20, 2012 (the last trading day prior to the public announcement of the proposed Merger) entered into Voting Agreements with Zeneca that provide, among other things, that they will vote in favor of the Merger Proposal and that grant to Zeneca an irrevocable proxy to vote all of their shares of Ardea common stock in favor of the Merger Proposal.

Q: What stockholder approval is required to approve on an advisory, non-binding basis the compensation that may be paid or become payable to our named executive officers in connection with the Merger?

A: The holders of a majority of the shares of Ardea common stock present and entitled to vote either in person or by proxy at the special meeting must vote in favor of the Merger-Related Compensation Proposal. Approval of the Merger-Related Compensation Proposal is not a condition to the completion of the Merger.

Q: What stockholder approval is required to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal?

A: The holders of a majority of the shares of Ardea common stock present and entitled to vote either in person or by proxy at the special meeting must vote in favor of any adjournment of the special meeting. Pursuant to the Voting Agreements, the holders of approximately 29.6% of the total shares of Ardea common stock outstanding as of April 20, 2012 (the last trading day prior to the public announcement of the proposed Merger) have agreed to vote all of their shares of Ardea common stock in favor of any such proposal.

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Q: What other conditions must be satisfied or waived to complete the Merger?

A: In addition to obtaining stockholder approval of the Merger Proposal, each of the other closing conditions contained in the Merger Agreement must be satisfied or waived. Among the closing conditions is the requirement that no event has occurred that would constitute a material adverse effect on our assets, liabilities, business or results of operations.

For a more complete discussion of the conditions to the completion of the Merger under the Merger Agreement, see the section entitled The Merger Agreement Conditions to the Completion of the Merger beginning on page 69.

Q: What regulatory approvals and filings are needed to complete the Merger?

A: The Merger is subject to the expiration or termination of any waiting period under the HSR Act. For a more complete discussion of the regulatory approvals required in connection with the Merger, see the section entitled The Merger Regulatory Approvals Required for the Merger beginning on page 49.

Q: When does Ardea expect to complete the Merger?

A: We expect to complete the Merger as soon as possible following the approval of the Merger Proposal at the special meeting, assuming the satisfaction or waiver of all other closing conditions contained in the Merger Agreement. It is possible, therefore, that factors within and/or outside of our control could require us to complete the Merger at a later time or not complete it at all.

Q: How does our board of directors recommend that the stockholders vote with respect to the Merger Proposal, the Merger-Related Compensation Proposal and the adjournment of the special meeting?

A: Our board of directors unanimously recommends that the stockholders vote FOR the Merger Proposal, FOR the Merger-Related Compensation Proposal and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal.

Q: What are the material federal income tax consequences of the Merger to me?

A: The exchange of Ardea common stock for cash pursuant to the Merger is a taxable transaction to U.S. holders for U.S. federal income tax purposes. If you are a U.S. holder, you will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to your shares of Ardea common stock (determined before deduction of any applicable withholding taxes) and your adjusted tax basis in such shares. A non-U.S. holder is generally not subject to U.S. federal income tax with respect to the exchange of Ardea common stock for cash in the Merger unless such non-U.S. holder has certain connections to the U.S. Backup withholding may also apply to the cash payments made pursuant to the Merger unless the U.S. holder or other payee provides a taxpayer identification number, certifies that such number is correct, or otherwise complies with the Internal Revenue Service backup withholding rules.

You should read the section entitled Material U.S. Federal Income Tax Consequences of the Merger beginning on page 53 for a definition of U.S. holder and non-U.S. holder and a more detailed discussion of the U.S. federal income tax consequences of the Merger. You should also consult your tax advisor for a complete analysis of the effect of the Merger on your federal, state, local and/or foreign taxes.

Q: Do I have appraisal rights in connection with the Merger?

A: Yes. Under the DGCL, stockholders of Ardea who do not submit a proxy or vote for the adoption of the Merger Agreement and who comply with the procedural requirements of Section 262 of the DGCL may demand payment in cash of the fair value of their shares of Ardea common stock in lieu of the Merger Consideration, if any. These rights are commonly known as dissenters rights. If the dissenting

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stockholder and Ardea and/or Zeneca do not agree on a fair value for the shares, a court of proper jurisdiction will determine the fair value of such shares, which could be more than, less than or equal to the value of the Merger Consideration. Dissenting stockholders lose their appraisal rights if they fail to follow all of the procedures required by Section 262 of the DGCL. For a more complete discussion of appraisal rights, see the section entitled The Merger Appraisal Rights beginning on page 49 and Annex D to this proxy statement.

Q: When and where will the special meeting take place?

A: The special meeting will be held on , 2012 at 10:00 a.m. Pacific Time at our offices located at 4939 Directors Place, San Diego, California 92121.

Q: Who can attend and vote at the special meeting?

A: All stockholders of record as of the close of business on , 2012, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting.

Q: What do I need to do now and how do I vote?

A: We urge you to read this proxy statement carefully, including its annexes, and to consider how the Merger may affect you.
You may provide your proxy instructions in any one of three ways. First, you may mail your signed proxy card in the enclosed return envelope. Alternatively, you may provide your proxy instructions by calling the toll-free call center set up for this purpose at the telephone number indicated on the enclosed proxy card and following the instructions provided. Please have your proxy card available when you call. Finally, you may provide your proxy instructions over the Internet by accessing the website indicated on the enclosed proxy card and following the instructions provided. Please have your proxy card available when you access the web page. Internet proxy voting allows you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies. Please provide your proxy instructions only once and as soon as possible so that your shares can be counted at the special meeting.

Q: What happens if I do not return a proxy card or otherwise provide proxy instructions or if I elect to abstain from voting?

A: If you do not submit a proxy card or vote by telephone or over the Internet, your shares will not be counted as present for the purpose of determining the presence of a quorum, which is required to transact business at the special meeting, and your failure to take action will have no effect on the outcome of Proposal No. 2 (Merger-Related Compensation Proposal) and Proposal No. 3 (adjournment to solicit additional proxies, if necessary). However, such failure to take action will have the same effect as voting AGAINST Proposal No. 1 (Merger Proposal).
If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as present for the purpose of determining the presence of a quorum for the special meeting and all of your shares will be voted FOR Proposal Nos. 1, 2 and 3. However, if you submit a proxy card or provide proxy instructions by telephone or over the Internet and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum for the special meeting, but will not be voted at the special meeting. As a result, your abstention will have the same effect as voting AGAINST Proposal Nos. 1, 2 and 3.

Q: May I vote in person?

A: If your shares of Ardea common stock are registered directly in your name with Ardea s transfer agent, you are considered, with respect to those shares, to be the stockholder of record, and the proxy materials and

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proxy card are being sent directly to you by Ardea. If you are a stockholder of record, you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card.

If your shares of Ardea common stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the special meeting. However, since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the special meeting unless you obtain a legal proxy from the broker or other nominee that holds your shares giving you the right to vote the shares in person at the special meeting.

Q: If my shares of Ardea common stock are held in street name by my bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?

A: Your bank, broker or other nominee may NOT and will NOT vote your shares of Ardea common stock without instructions from you. You should instruct your bank, broker or other nominee to vote your shares by following the procedure provided by your bank, broker or other nominee. Without instructions, your shares will not be voted, which will have the same effect as voting AGAINST Proposal No. 1 (Merger Proposal).

Q: May I revoke or change my vote after I have provided proxy instructions?

A: Yes. You may revoke or 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 us a written notice stating that you would like to revoke your proxy. Second, you can submit new proxy instructions on a new proxy card or by telephone or over the Internet. Third, you can attend the special meeting and vote in person. Your attendance alone at the special meeting will not revoke your proxy. If you have instructed a bank, broker or other nominee to vote your shares, you must follow directions received from your bank, broker or other nominee in order to change those instructions.

Q: What constitutes a quorum?

A: Stockholders who hold a majority of the shares of Ardea common stock outstanding as of the close of business on the record date for the special meeting must be present either in person or by proxy in order to constitute a quorum to conduct business at the special meeting.

Q: Who is paying for this proxy solicitation?

A: We will bear the cost and expense of preparing, assembling, printing and mailing this proxy statement, any amendments thereto, the proxy card and any additional information furnished to our stockholders. We will bear any fees paid to the SEC. We may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of soliciting and obtaining proxies from beneficial owners, including the costs of reimbursing brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding this proxy statement and other solicitation materials to beneficial owners. In addition, proxies may be solicited without extra compensation by directors, officers and employees of Ardea by mail, telephone, fax or other methods of communication. We have retained Phoenix Advisory Partners to assist us in the solicitation of proxies from our stockholders in connection with the special meeting at a cost of approximately $8,000, plus reimbursement of out of pocket expenses. We have agreed to indemnify Phoenix Advisory Partners against certain liabilities arising out of or in connection with its engagement.

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Q: Whom should I contact if I have any questions about the Merger or the special meeting?

A: If you have any questions about the Merger or the special meeting, or if you need assistance in submitting your proxy or voting your shares, or need additional copies of this proxy statement or the enclosed proxy card, you should contact us or Phoenix Advisory Partners, our proxy solicitor, at the applicable address and telephone number listed below:

Ardea Biosciences, Inc. 4939 Directors Place San Diego, California 92121 Attention: Corporate Secretary (858) 652-6500	Phoenix Advisory Partners 110 Wall Street, 27th Floor New York, New York 10005 Banks and Brokers Call: (212) 493-3910 All Others Call Toll Free: (877) 478-5038

Q: What happens if I sell my shares after the record date but before the special meeting?

A: If you transfer your shares of Ardea common stock after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting). However, you will not have the right to receive the Merger Consideration in exchange for your shares of Ardea common stock if and when the Merger is completed. In order to receive the Merger Consideration in exchange for your shares of Ardea common stock, you must hold your shares through the completion of the Merger.

Q: What do I do if I receive more than one proxy statement or set of voting instructions?

A: If you hold shares of Ardea common stock directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one proxy statement and/or set of voting instructions relating to the special meeting. These should each be voted and/or returned separately in order to ensure that all of your shares of Ardea common stock are voted.

Q: Should I send in my stock certificates now?

A: No. Please do not send any stock certificates with your proxy card. If the Merger is completed, a separate letter of transmittal with instructions for the surrender of your Ardea stock certificates will be mailed to you within five business days following the Effective Time. Stockholders can expect to receive payment following receipt by Computershare Trust Company, N.A., the payment agent, of a completed and duly executed letter of transmittal and Ardea stock certificate representing the shares of Ardea common stock owned by such stockholder.

Q: When will I receive payment for my shares of Ardea common stock or my warrants, stock options or restricted stock awards?

A: When you properly complete and return the required documentation described in the written instructions you receive from Computershare Trust Company, N.A., the payment agent, you will promptly receive from the payment agent a payment of the Merger Consideration for your shares of Ardea common stock (including shares of Ardea common stock purchased under the ESPP) or, for each warrant that has been canceled in accordance with the Merger Agreement, payment of an amount equal to the product of the excess of $32.00 over the per share exercise price of your canceled warrant and the number of shares of Ardea common stock subject to such warrant, as applicable. If you hold one or more Ardea stock options or restricted stock awards, you will receive payment for your options or restricted stock awards, as applicable, from Ardea s payroll processor as promptly as practicable following the completion of the Merger.

Q: What happens if the Merger is not completed?

A: If the Merger Agreement is not adopted by our stockholders or if the Merger is not completed for any other reason, stockholders of Ardea will not receive any payment for their shares in connection with the Merger. Instead, Ardea will remain an independent public company and Ardea common stock will continue to be listed and traded on the NASDAQ Global Select Market. Under specified circumstances, we may be required to pay Zeneca a fee with respect to the termination of the Merger Agreement, as discussed in the section entitled The Merger Agreement Termination Fees and Expenses beginning on page 71.

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MARKET PRICE DATA AND DIVIDEND INFORMATION

The table below sets forth, for the calendar quarters indicated, the high and low sales prices per share of Ardea common stock, which trades on the NASDAQ Global Select Market under the symbol RDEA . Our fiscal year ends on December 31st.

	High	Low
Fiscal Year 2012		
First Quarter	$ 23.50	$ 14.35
Fiscal Year 2011		
First Quarter	$ 30.61	$ 25.08
Second Quarter	$ 29.45	$ 22.10
Third Quarter	$ 26.95	$ 13.15
Fourth Quarter	$ 21.95	$ 13.79
Fiscal Year 2010		
First Quarter	$ 19.43	$ 13.77
Second Quarter	$ 27.78	$ 19.58
Third Quarter	$ 24.97	$ 17.80
Fourth Quarter	$ 26.97	$ 20.75

The closing sales price of our common stock on the NASDAQ Global Select Market on , 2012, the latest practicable date before the printing of this proxy statement, was $ per share, and we had stockholders of record. The closing sales price of our common stock on the NASDAQ Global Select Market on April 20, 2012 (the last trading day prior to the public announcement of the proposed Merger) was $20.84 per share. You are urged to obtain current market quotations for our common stock when considering whether to adopt the Merger Agreement.

We have not declared or paid any dividends on our common stock since our inception. Under the terms of the Merger Agreement, we cannot declare, set aside, make or pay any dividend with respect to any of our shares. We currently anticipate that we will retain future earnings for use in the operation and expansion of our business.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement and the other documents referred to or incorporated by reference into this proxy statement contain or may contain forward-looking statements of Ardea within the meaning of Section 21E of the Exchange Act. For this purpose, any statements contained herein, other than statements of historical fact, may be forward-looking statements under the provisions of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. Statements that include words such as may , will , project , might , expect , believe , anticipate , intend , could , would , estimate , continue or pursue or th other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout this proxy statement and the other documents referred to or incorporated by reference and relate to a variety of matters, including but not limited to, (i) the timing and anticipated completion of the proposed Merger, (ii) the benefits expected to result from the proposed Merger, and (iii) other statements that are not purely statements of historical fact. These forward-looking statements are made on the basis of the current beliefs, expectations and assumptions of management, are not guarantees of performance and are subject to significant risks and uncertainty. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in this proxy statement and those that are referred to or incorporated by reference into this proxy statement. Additional factors that could cause actual results to differ materially from those described in forward-looking statements contained herein include, but are not limited to:

- potential adverse reactions or changes to business relationships resulting from the announcement or completion of the proposed Merger;
- unexpected costs, charges or expenses resulting from the proposed Merger;
- litigation or adverse judgments relating to the proposed Merger;
- risks relating to the completion of the proposed Merger, including the risk that the required stockholder approval might not be obtained in a timely manner or at all, or that other conditions to the completion of the Merger will not be satisfied;
- any difficulties associated with requests or directions from governmental authorities resulting from their reviews of the proposed Merger; and
- any changes in general economic and/or industry-specific conditions.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement or, in the case of documents referred to in this proxy statement, as of the date of those documents. Ardea disclaims any obligation to publicly update or release any revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this proxy statement or to reflect the occurrence of unanticipated events, except as required by law.

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THE MERGER

Structure of the Merger

In accordance with the Merger Agreement and the DGCL, at the Effective Time, Merger Sub, a wholly owned subsidiary of Zeneca formed solely for the purpose of carrying out the Merger, will merge with and into Ardea, with Ardea continuing as the surviving corporation and a wholly owned subsidiary of Zeneca (the Surviving Corporation). If our stockholders approve the Merger Proposal, then we expect the Merger to be completed as soon as practicable following the special meeting.

What Stockholders Will Receive in the Merger

At the Effective Time, by virtue of the Merger and without any action on the part of the holders of any shares of Ardea common stock, each outstanding share of Ardea common stock, other than any shares owned by Ardea, Zeneca or Merger Sub, or any of Ardea s or Zeneca s respective wholly owned subsidiaries, or any stockholders of Ardea who are entitled to and who properly exercise appraisal rights under the DGCL, will be converted into the right to receive $32.00 in cash, without interest. At such time, all shares of Ardea common stock will no longer be outstanding and will automatically be canceled and retired and will cease to exist, and each holder of a certificate representing any such shares or of Book-Entry Shares will cease to have any rights as a stockholder with respect thereto, except for the right to receive the Merger Consideration to be paid in consideration therefor upon surrender of such certificate or Book-Entry Shares, as applicable (other than stockholders who properly exercise appraisal rights under the DGCL, who will have the rights specified in the DGCL).

For a more complete discussion of what you will receive in connection with the Merger, see the section entitled The Merger Agreement Merger Consideration beginning on page 56.

Treatment of Stock Options, Warrants and Restricted Stock Awards

Stock Options

At the Effective Time, each outstanding Ardea stock option will fully vest and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of the excess, if any, of $32.00 over the exercise price of such option and the number of shares of Ardea common stock underlying such option. As of , 2012, the latest practicable date before the printing of this proxy statement, there were outstanding options to purchase shares of Ardea common stock.

Warrants

At the Effective Time, each outstanding Ardea warrant that is canceled in accordance with the terms of the Merger Agreement as of the Effective Time will be exchanged for an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of the excess of $32.00 over the exercise price of such warrant and the number of shares of Ardea common stock underlying such warrant. As of , 2012, the latest practicable date before the printing of this proxy statement, there were outstanding warrants to purchase shares of Ardea common stock.

Restricted Stock Awards

At the Effective Time, each outstanding Ardea restricted stock award will fully vest and be canceled and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any required tax withholding, equal to the product of $32.00 and the number of shares of Ardea common stock subject to such restricted stock award. As of , 2012, the latest practicable date before the printing of this proxy statement, there were shares of Ardea common stock subject to outstanding restricted stock awards.

Background of the Merger

Ardea is a biotechnology company focused on the development of small-molecule therapeutics for the treatment of serious diseases. Our lead clinical-stage product candidate is lesinurad, formerly known as

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RDEA594, a selective, oral URAT1 transporter inhibitor for the chronic management of hyperuricemia in patients with gout. In addition, BAY 86-9766, formerly known as RDEA119, a specific inhibitor of MEK for the treatment of cancer, is being developed by Bayer under a global license agreement pursuant to which we out-licensed to Bayer global development and commercial rights to RDEA119 and all other compounds in our MEK program.

From time to time, our board of directors has evaluated various business opportunities in an effort to enhance stockholder value. As is customary for development-stage biopharmaceutical companies, we have considered a number of options for commercializing our lead product, lesinurad, and for advancing our other drug development efforts. Among the options our board of directors has considered are (i) developing our own marketing and sales capabilities and pursuing the commercialization of lesinurad and advancing our other drug candidates on our own, (ii) jointly developing and commercializing lesinurad and our other drug product candidates with a global pharmaceutical or other biotechnology company that has greater resources and commercial experience than us and (iii) selling Ardea.

During the third quarter of 2009, we commenced a Phase 2b monotherapy clinical study of lesinurad. Also during the third quarter of 2009, we commenced a Phase 2b combination clinical study to evaluate the addition of lesinurad to allopurinol, a currently-marketed drug, for the treatment of gout patients who had not responded favorably to allopurinol alone.

In March 2010, we received positive, preliminary, top-line results from lesinurad s Phase 2b monotherapy study.

In light of the positive results of our Phase 2b monotherapy study, our board of directors authorized our senior management to initiate an information gathering process to determine whether there would be any significant interest on the part of potential qualified strategic partners to pursue a possible partnering relationship with, or an acquisition of, us on terms acceptable to our board of directors. To assist in this process, during early April 2010, our board of directors interviewed various investment banks with specific knowledge of the healthcare industry and relationships with significant pharmaceutical and biotechnology companies.

In early April 2010, we formally retained BofA Merrill Lynch to act as our financial advisor to assist in the process of exploring strategic alternatives. Also in early April 2010, we closed a public offering of our common stock at a public offering price of $20.00 per share, for net proceeds of approximately $77.1 million.

In mid-April 2010, representatives of BofA Merrill Lynch met with members of our senior management team to discuss a list of potential strategic partners who might be contacted to solicit preliminary interest in a partnering transaction with or an acquisition of us. Based on these discussions, we determined that BofA Merrill Lynch and our senior management team should contact a broad range of the largest global pharmaceutical and biotechnology companies, as well as companies with rheumatology franchises and mid-cap pharmaceutical companies. In addition, around this time, we populated an electronic data room with documents that we determined, after consultation with BofA Merrill Lynch, would be relevant to potential strategic partners, including information related to our clinical study programs and our relationship with Bayer, material contracts, corporate records, financial information, corporate policies and procedures, information related to our intellectual property and other confidential operational information.

Commencing in mid-April 2010, members of our senior management team, including Dr. Quart and Mr. Davis, and representatives of BofA Merrill Lynch contacted approximately 50 pharmaceutical and biotechnology companies to determine their interest in pursuing a potential strategic transaction with us. Of these approximately 50 companies, 26 initially expressed interest in a possible strategic transaction with us. We executed confidentiality agreements with 16 potential strategic partners, including AstraZeneca, and had preliminary discussions and shared certain confidential technical and financial information with each of them. In addition, commencing in early June 2010, we offered access to our electronic data room to each of the companies who had executed confidentiality agreements. Of the 16 companies that had been offered access to our electronic data room, 12 companies, including AstraZeneca, conducted varying levels of due diligence in the data room.

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On June 3, 2010, during the course of our Phase 2b studies of lesinurad, we received a preliminary non-binding written indication of interest from a global pharmaceutical company (Company A). Company A expressed interest in an acquisition of 100% of our outstanding common stock at a purchase price of approximately $30.00 per share. Company A also indicated a preference for a two-step acquisition of Ardea, which would include an upfront acquisition of approximately 40% of our outstanding common stock at approximately $30.00 per share, with an option for Company A to later acquire our remaining outstanding common stock at an unspecified premium reflecting a potentially higher valuation. Following consultation with our board of directors, we advised Company A that we were interested in pursuing discussions regarding a potential strategic transaction. While Company A reiterated its interest in a potential strategic transaction, it also stated that it would need to review the results of our ongoing Phase 2b studies before it would be in a position to move forward with any potential strategic transaction. We informed Company A that we would continue to provide it with updated due diligence as our Phase 2b studies of lesinurad progressed.

On June 21, 2010, we received a preliminary non-binding written indication of interest from a second global pharmaceutical company (Company B). The indication of interest did not propose a specific purchase price, but noted that Company B was well positioned to make a competitive offer to acquire us. Company B did, however, indicate that it would need to review the results of our Phase 2b studies of lesinurad in connection with its consideration of a potential strategic transaction. We indicated that we would continue discussions with Company B regarding a potential strategic transaction and would keep it updated regarding the progress of our Phase 2b studies of lesinurad.

During the remainder of 2010 and into the early part of 2011, we continued discussions regarding a potential strategic transaction with Company A and Company B, and had varying levels of discussions with each of the other companies that had entered into a confidentiality agreement with us.

In early January 2011, we announced positive, preliminary, top-line results for our Phase 2b combination study to evaluate the addition of lesinurad to allopurinol for the treatment of gout patients who had not responded favorably to allopurinol alone.

On February 16, 2011, a third global pharmaceutical company (Company C) submitted a preliminary non-binding written indication of interest to acquire all rights to the development and sale of lesinurad for a total amount of $850 million, including an upfront payment of $150 million and $700 million payable upon the achievement of certain unspecified regulatory and commercial milestones. The indication of interest was conditioned upon, among other things, Company C completing its due diligence review and, specifically, its review of our lesinurad program. In light of the positive results of our Phase 2b combination study and the fact that the offer from Company C only included $150 million upfront, with the remainder contingent on meeting certain unspecified regulatory and commercial milestones, our board of directors viewed Company C s offer as inadequate, but indicated that we should continue discussions with Company C regarding a potential strategic transaction. We communicated our board of directors view to Company C and encouraged Company C to revise its offer. Company C responded that it would not be in a position to revise its offer until we had received the results of our end of Phase 2 meeting with the U.S. Food and Drug Administration (the FDA). We indicated that we would continue discussions with Company C regarding a potential strategic transaction while we awaited the results of our end of Phase 2 meeting with the FDA.

Also in February 2011, we closed a public offering of our common stock at a public offering price of $26.00 per share, for net proceeds of approximately $78 million.

On March 11, 2011, a fourth global pharmaceutical company (Company D) submitted a preliminary non-binding written indication of interest to acquire all of our outstanding equity interests at a valuation range of $35.00 to $40.00 per share of our common stock, subject to, among other things, completion of due diligence. While members of our senior management team noted that Company D had performed relatively little diligence to date, we continued discussions with Company D regarding a potential strategic transaction. Company D also indicated that it would need to conduct commercial assessments regarding the market opportunity for the treatment of gout prior to moving forward with a strategic transaction with us.

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On March 18, 2011, we received a preliminary non-binding written indication of interest from a fifth global pharmaceutical company (Company E). The indication of interest contemplated the upfront purchase of approximately 14.9% of our outstanding common stock from existing stockholders at a purchase price of $35.00 per share, followed by the acquisition, at Company E s option, of the balance of our outstanding common stock at a purchase price of $40.00 per share following FDA approval of lesinurad, in parallel with the spin-off of all of our assets and operations unrelated to lesinurad. In addition to the upfront purchase of approximately 14.9% of our outstanding common stock, Company E would purchase $150 million of convertible debt or convertible preferred stock at a 10% conversion premium to our current trading price, the proceeds of which would be earmarked to fund our drug development efforts, including our Phase 3 studies of lesinurad. Company E also proposed an option to purchase an additional 14.9% of our outstanding common stock for approximately $35.00 per share upon the conclusion of our Phase 3 studies of lesinurad, with another $100 million being paid to us if such option was exercised. Finally, Company E s indication of interest contemplated the payment of certain royalties to our stockholders (via a contingent value right (CVR) mechanism whereby our stockholders would receive additional payments upon the achievement of specified milestones) based on net sales of lesinurad through 2025. Company E s proposal was conditioned upon the satisfactory completion of due diligence. We indicated to Company E that we were interested in pursuing the transaction it had proposed and should continue discussions toward that end. Company E indicated to us that it needed to do additional work regarding the commercial opportunities for the treatment of gout.

During the period from June 2010 through April 2011, pursuant to the direction of our board of directors, we granted access to our electronic data room to each potential strategic partner who had executed a confidentiality agreement and these companies conducted additional due diligence through telephonic conferences and on-site visits. We participated in diligence and/or management meetings with each of the potential strategic partners that submitted preliminary non-binding indications of interest, including meetings with Company A on July 27, 2010 and March 4, 2011; Company B on January 13, 2011; Company C on March 29 and 30, 2011; Company D on February 4, 2011; and Company E on April 13 and 14, 2011. In addition, throughout this time, our senior management team was in regular contact with our board of directors and provided periodic updates to, and solicited and received guidance from, our board of directors regarding all ongoing discussions with potential strategic partners.

Notwithstanding our ongoing discussions with these parties, by May 2011, each of the potential strategic partners that had submitted a preliminary indication of interest had informed us that it had decided not to move forward with a potential strategic transaction with us at that time due to various factors noted by such parties, including the emerging nature of the commercial market for the treatment of gout, the fact that lesinurad had not yet been the subject of an end of Phase 2 meeting with the FDA and was not yet in Phase 3 studies and, with respect to some companies, the unique challenges those companies faced in realizing the market opportunities (in both U.S. and ex-U.S. markets) presented by lesinurad. In addition, several parties expressed concerns about our market capitalization given the stage of development of our lesinurad program.

During a meeting of our board of directors held on May 19, 2011, in light of the feedback received from potential strategic partners, we decided to de-emphasize the further exploration of strategic alternatives until the completion of our end of Phase 2 meeting with the FDA or the completion of additional market research then being contemplated by us.

On July 22, 2011, we met with the FDA for the clinical portion of our end of Phase 2 meeting. We received the FDA s minutes from the meeting in August 2011 and on September 7, 2011, we issued a press release announcing positive results of our end of Phase 2 meeting with the FDA.

On August 3, 2011, Mr. Davis advised a sixth global pharmaceutical company (Company F) that had previously executed a confidentiality agreement with us and had been granted access to our electronic data room of the results of our end of Phase 2 meeting with the FDA. Company F expressed a desire to learn more about the FDA feedback and re-entered our electronic data room in order to continue its due diligence review.

On August 5, 2011, a seventh global pharmaceutical company with whom we had initially had discussions in early 2011 (Company G) re-engaged in discussions with us regarding a potential strategic transaction. Company G re-entered the data room to continue its due diligence review.

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On August 18, 2011, our board of directors held a regularly scheduled telephonic meeting during which Mr. Davis reviewed for our board of directors the results of earlier discussions with third parties relating to a potential strategic transaction, including specific feedback from these parties. He also described the status of current discussions with interested parties and his view of the prospects for additional companies re-engaging in discussions. Our senior management team then reviewed with our board of directors a proposed project to conduct a further assessment of the commercial market for the treatment of gout, including commercial opportunities for lesinurad. At the recommendation of our senior management, our board of directors authorized us to engage the Monitor Group, a global management consulting firm with particular expertise in the pharmaceutical industry, to work with our senior management and clinical teams on the project. Soon after the board of directors meeting, we engaged the Monitor Group and commenced the project to conduct a further assessment of the commercial market for the treatment of gout.

On August 29, 2011, an eighth global pharmaceutical company (Company H) that had previously executed a confidentiality agreement with us and had entered our electronic data room informed Mr. Davis that it was interested in re-engaging in discussions regarding a potential strategic transaction. After such expression of interest, Company H re-entered our electronic data room to continue its due diligence review.

On August 31, 2011, Mr. Davis had a teleconference with Company C to review the results of our end of Phase 2 meeting with the FDA. Following the call, Company C indicated it would like to re-enter our electronic data room to review the results of the meeting and related regulatory correspondence and we granted such access shortly thereafter. Also during the call with Mr. Davis, Company C orally indicated it was interested in considering a strategic transaction that would include an initial acquisition of a minority interest in us, followed by an option to acquire our remaining outstanding common stock at a pre-determined price. We did not discuss specific economic details with Company C.

On September 2, 2011, AstraZeneca called Mr. Davis and stated it was interested in re-engaging in discussions regarding a potential strategic transaction. AstraZeneca re-entered our electronic data room shortly thereafter and proceeded to request additional due diligence materials. During the remainder of September 2011 and into late December 2011, significant due diligence discussions and the exchange of information continued both electronically and by telephone between members of our senior management and clinical teams and representatives of AstraZeneca.

On September 12, 2011, we met with representatives of Company H at its offices to review our clinical results, including the results of our end of Phase 2 meeting with the FDA, our plans for Phase 3 studies and commercial opportunities in the treatment of gout. After our meeting, Company H commenced due diligence efforts, including participating in multiple teleconferences with us, requesting additional information and following up on additional due diligence matters.

On September 19, 2011, we met with representatives of Company A in New York to discuss the results of our end of Phase 2 meeting with the FDA and our plans for Phase 3 studies. At the conclusion of the meeting, Company A stated that it wished to re-engage in discussions regarding a potential strategic transaction and conduct additional due diligence in furtherance thereof. Despite Company A s expression of interest, over the next five months, Company A conducted limited due diligence.

Also on September 19, 2011, we met with representatives of Company B in New York to discuss the results of our end of Phase 2 meeting with the FDA and our plans for Phase 3 studies. Company B indicated it would need to conduct additional internal discussions regarding a potential strategic transaction before it could proceed with further due diligence.

On September 22, 2011, members of our senior management team held a teleconference with representatives of Company H to discuss the commercial opportunities for the treatment of gout, including population sizes, treatment dynamics, the pricing of existing therapies and how lesinurad might fit into the commercial market.

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On September 26, 2011, Company G informed Mr. Davis it was interested in re-engaging in discussions with us regarding a potential strategic transaction. Shortly thereafter, Company G re-entered our electronic data room and recommenced its due diligence review.

On September 29, 2011, several members of our senior management team met with AstraZeneca at its offices in Wilmington, Delaware to review the results of our Phase 2b studies, including our end of Phase 2 meeting with the FDA, our plans for Phase 3 studies and our view of the gout market opportunities. At the conclusion of the meeting, AstraZeneca indicated that it remained interested in exploring a strategic transaction, subject to additional due diligence of our lesinurad program.

On October 13, 2011, our board of directors held a telephonic meeting during which Mr. Davis updated our board of directors on the status of discussions with potential strategic partners. He reported that since our end of Phase 2 meeting with the FDA, six companies who had previously engaged in, and then withdrawn from, discussions regarding a potential strategic transaction had now re-engaged in discussions with us. Mr. Davis reported that upon re-engaging in such discussions, each company indicated potential interest in considering a structured acquisition transaction in which it would acquire a minority interest in our common stock ranging from 14.9% to 40% of our total outstanding shares of common stock, with an option to acquire the remainder of our outstanding common stock at a predetermined price following the completion of Phase 3 studies. No specific economic terms related to a proposed structured acquisition transaction had yet been proposed by any of the companies and no company at that time expressed any interest in an immediate acquisition of 100% of our outstanding common stock. Mr. Davis also reported that five of the six companies had re-entered our electronic data room and that the sixth company would shortly be given access to the data room.

On October 14, 2011, Mr. Davis had further discussions with representatives of Company G regarding a structured acquisition transaction, in particular, addressing the governance challenges presented by such structure during Phase 3 studies. While no specific economic terms were discussed, we agreed to continue discussions with Company G and invited them to visit our offices in San Diego for on-site meetings.

On October 17, 2011, members of our senior management team conducted a teleconference with representatives of Company C during which we reviewed with them the status of our end of Phase 2 meeting with the FDA and our plans for Phase 3 studies for our lesinurad program. Again, on October 19, 2011, Mr. Davis spoke with representatives of Company C regarding the status of our strategic discussions and the broad outlines of a potential structured acquisition transaction. Such transaction contemplated an acquisition by Company C of a 20% minority interest in our common stock at an unspecified premium to our then-current trading price, with an option to acquire our remaining outstanding common stock upon the successful completion of our Phase 3 studies of lesinurad at a predetermined price to be mutually agreed upon between us and Company C. While no specific economic terms were discussed at this time, we did discuss with Company C the governance challenges that might arise during Phase 3 studies as a result of a structured acquisition transaction.

On October 21, 2011, Mr. Davis spoke with representatives of Company F regarding the status of our strategic discussions and a potential structured acquisition transaction. Similar to Mr. Davis conversations with Company C, such transaction contemplated an acquisition by Company F of a 20% minority interest in our common stock at an unspecified premium to our then-current trading price, with an option to acquire our remaining outstanding common stock upon the successful completion of our Phase 3 studies of lesinurad at a predetermined price to be mutually agreed upon between us and Company F. No specific economic terms were discussed.

On October 26, 2011, representatives from Company G visited our offices in San Diego to conduct on-site due diligence and to discuss the commercial opportunities for lesinurad. Upon conclusion of the visit, we agreed with Company G to continue discussions related to a potential strategic transaction.

Also in late October 2011, as a result of certain personnel changes within Company H, Company H suspended its due diligence review altogether and terminated all discussions with us regarding a potential strategic transaction.

On November 8, 2011, while at the American College of Rheumatology annual meeting in Chicago, several members of our senior management team met with representatives of Company F, including its senior vice

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president and global head of the business unit that would be responsible for the development and commercialization of lesinurad if Company F moved forward with a strategic transaction. At the meeting, we reviewed the results of our Phase 2 studies and our end of Phase 2 meeting with the FDA, our plans for Phase 3 studies and our view of the commercial opportunities for lesinurad. At the conclusion of the meeting, we agreed to continue discussions with Company F regarding a potential strategic transaction.

On December 14, 2011, Dr. Quart and Mr. Davis met with Mr. Mahmood Ladha, AstraZeneca s Executive Director, Global Business Development, and Ms. Kelly Distefano, AstraZeneca s Director of Business Development, in Wilmington, Delaware. At the meeting, Mr. Ladha and Ms. Distefano stated that there was increased interest within AstraZeneca in pursuing a strategic transaction with us. We discussed with Mr. Ladha and Ms. Distefano considerations relating to a structured acquisition transaction, including potential challenges that would arise from joint governance of any Phase 3 studies. In addition, we discussed the possibility of an outright acquisition of 100% of our outstanding common stock by AstraZeneca. We did not discuss any specific economic terms with AstraZeneca at this meeting.

On December 16, 2011, our board of directors conducted a regularly scheduled meeting. At the meeting, representatives from the Monitor Group and members of our senior management team gave a status update on the commercial assessment project that was being conducted by us and the Monitor Group. Mr. Davis also updated our board of directors on the continuing discussions with potential strategic partners. Mr. Davis also noted that Company H had placed all primary care strategic activity on hold and had withdrawn from discussions with us. Our board of directors authorized our senior management to continue discussions with all potential strategic partners that had expressed continuing interest in pursuing either a structured acquisition or an acquisition of 100% of our outstanding common stock.

On December 19, 2011, we initiated the first of several Phase 3 clinical studies for lesinurad.

On December 21, 2011, Mr. Davis spoke with representatives of Company C to brief them on the status of the commencement of our Phase 3 clinical studies of lesinurad and the projected costs of the Phase 3 clinical studies proposed to be conducted, and to continue discussions regarding a potential strategic transaction. Company C indicated it was continuing to consider a structured acquisition transaction as previously communicated to Mr. Davis and noted that we should expect its complete assessment of a possible transaction around the beginning of February 2012.

During the week of January 9, 2012, we attended the JP Morgan Healthcare conference in San Francisco. At the conference, we met with Mr. Ladha and Mr. Simon Lowth, the Chief Financial Officer of AstraZeneca. At this meeting, Mr. Ladha and Mr. Lowth indicated that AstraZeneca was interested in pursuing the acquisition of 100% of our outstanding common stock and outlined areas of due diligence that AstraZeneca would need to complete prior to submitting an offer. Also during the week of January 9, 2012, we met with representatives of Company A, Company F, Company G and Company H. Following our meetings, Company H re-engaged in discussions with us regarding a potential strategic transaction. In addition, we also met with representatives of Company B, our first meeting with them since September 2011.

On January 20, 2012, our board of directors held a telephonic meeting during which it discussed the prospects for raising additional capital through an offering of our common stock. Our board of directors also discussed the status of our Phase 3 clinical studies and the status of our discussions with potential strategic partners, and instructed our senior management team to continue discussions with all interested parties.

In the second half of January 2012, we began sharing with active potential strategic partners additional information regarding the work we were doing with the Monitor Group on the commercial opportunities for the treatment of gout and the potential role of lesinurad in such treatment. We continued to communicate additional information to such parties through the completion of our project with the Monitor Group in the second half of March 2012.

In February 2012, we closed a public offering of our common stock at a public offering price of $17.00 per share, for net proceeds of approximately $157.6 million.

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On February 6, 2012, Company C contacted Mr. Davis to inform him that it had determined that a gout market opportunity was not consistent with its current commercial strategic plans and thus Company C was no longer interested in pursuing a strategic transaction with us at that time.

On February 15, 2012, Dr. Quart and Mr. Davis met with Messrs. Ladha and Lowth while attending a healthcare investor conference in New York City. At the meeting, Messrs. Ladha and Lowth delivered a non-binding written indication of interest from AstraZeneca to acquire 100% of our outstanding common stock for a purchase price of $24.17 per share, assuming a certain cash balance and reflecting an enterprise value of $650 million. The offer was subject to the completion of further due diligence. Dr. Quart and Mr. Davis indicated they would promptly communicate the proposal to our board of directors. Immediately following the meeting, Dr. Quart forwarded a copy of AstraZeneca s written indication of interest to each of the members of our board of directors for consideration.

On February 17, 2012, our board of directors met telephonically to discuss AstraZeneca s proposal. Representatives from BofA Merrill Lynch were also present. Dr. Quart described the meeting he and Mr. Davis had with AstraZeneca and Mr. Davis provided an update on the status of discussions with other potential strategic partners. Following a full discussion of AstraZeneca s proposal, our board of directors determined that the AstraZeneca proposal was inadequate, as it did not reflect the inherent value of Ardea given the current status of our drug development programs, and directed Mr. Davis to convey this message to AstraZeneca. Our board of directors also directed our senior management to continue discussions with the other potential strategic partners that had expressed continuing interest in pursuing a strategic transaction.

Also on February 17, 2012, Mr. Davis and representatives of BofA Merrill Lynch, acting at the direction of our senior management, contacted each of Company A through Company H, as well as other companies that we believed might have an interest in re-engaging in discussions with respect to a potential strategic transaction with us. We and BofA Merrill Lynch provided each of these companies with additional information (to the extent not already provided) regarding our assessment of the commercial opportunities for the treatment of gout. We and BofA Merrill Lynch, acting at the direction of our senior management, also informed each of the companies not currently engaged in discussions with us regarding a potential transaction, together with each company that was then engaged in such discussions, that our strategic discussions with other parties were accelerating and were moving in the direction of an acquisition of 100% of our outstanding common stock and that they should notify us promptly if they had an interest in a potential acquisition.

On February 20, 2012, Mr. Davis spoke with Mr. Ladha and conveyed the response of our board of directors to AstraZeneca s $24.17 per share offer. In response to Mr. Ladha s query regarding what purchase price would be acceptable to our board of directors, Mr. Davis indicated that our board of directors was not prepared to propose a specific price. At Mr. Davis request, Mr. Ladha then described the remaining due diligence that would be required by AstraZeneca before AstraZeneca would be in a position to agree on a price, if an agreement could be reached at all. Mr. Davis suggested that in the interest of providing AstraZeneca with additional information to enable it to improve its offer, we would facilitate AstraZeneca s further due diligence requests.

On February 23, 2012, Mr. Davis and Mr. Ladha spoke again. Mr. Ladha indicated that AstraZeneca remained interested in a transaction, but could not at that time justify the expense of further due diligence without an agreement on price or a period of exclusivity and, therefore, would defer further due diligence efforts. Messrs. Davis and Ladha agreed that the likely difference in valuation perspectives between the parties was due to differing assessments on the commercial opportunities for the treatment of gout and agreed to continue discussions.

In late February 2012, at the direction of our senior management, representatives of BofA Merrill Lynch re-engaged Company H in discussions regarding a possible transaction with us and on February 29, 2012, Mr. Davis spoke with representatives of Company H and provided an update on our Phase 3 clinical studies of lesinurad and the status of our review of potential strategic transactions.

Also on February 29, 2012, Mr. Davis spoke with representatives of Company A and provided an update on the status of our review of potential strategic transactions. Company A indicated that it would need to complete

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further due diligence before it would be in a position to move forward with further discussions related to a potential strategic transaction. Commencing in March 2012, Company A s due diligence efforts increased significantly and we engaged in multiple discussions with representatives of Company A with respect to due diligence matters.

In March 2012, each of Company B, Company D and Company E informed BofA Merrill Lynch that it would not move forward with a strategic transaction. With respect to Company B, it had ceased conducting due diligence and had become generally nonresponsive over the past several months. When BofA Merrill Lynch contacted Company B, it was advised by a representative of Company B that Company B was not prepared to move forward with a strategic transaction with us at that time. No specific reason for Company B s decision was provided to BofA Merrill Lynch. With respect to Company D, its confidentiality agreement with us had expired and it declined to enter into a new confidentiality agreement so we could provide it with additional, updated materials. Company D did not provide any specific reason for its decision not to move forward with a strategic transaction. With respect to Company E, a representative of Company E s financial advisor contacted BofA Merrill Lynch and informed it that Company E would not be moving forward with a strategic transaction, providing no specific reason for Company E s decision.

On March 5, 2012, Mr. Ladha called Mr. Davis and verbally informed him that AstraZeneca was revising and improving its offer to acquire 100% of our outstanding common stock, which included (i) an enterprise value of $700 million, as opposed to the $650 million reflected in its initial offer, (ii) a CVR that would pay our stockholders $2.00 per share of our common stock upon lesinurad achieving $1.25 billion in U.S. net sales and (iii) a second CVR that would pay our stockholders an additional $3.00 per share of our common stock upon lesinurad achieving $1.75 billion in U.S. net sales. Mr. Ladha noted that AstraZeneca was positioned to conduct final due diligence but would continue to defer commencement of these efforts until we and AstraZeneca had agreed on a purchase price. Mr. Davis indicated that he would convey the proposal to our board of directors.

On March 9, 2012, our board of directors held a telephonic meeting to receive an update from our senior management regarding the status of our conversations with third parties related to a strategic transaction. Mr. Davis advised our board of directors as to the status of discussions with each potential strategic partner with whom we had been having discussions, including the latest proposal from AstraZeneca. Our board of directors discussed the AstraZeneca proposal, as well as various considerations regarding the discussions with the other potential strategic partners who had continued to express interest in pursuing a strategic transaction. Following a full discussion of the AstraZeneca proposal, our board of directors still viewed AstraZeneca s offer as inadequate, particularly in light of the fact that a significant portion of the consideration was in the form of CVRs that our board of directors did not believe reflected the full value of such future events. Our board of directors asked Mr. Davis to convey this message to AstraZeneca.

On March 12, 2012, Mr. Davis, Mr. Bob Mischler, our Vice President, Commercial Planning and Analysis, and representatives of the Monitor Group met with Company H at Company H s offices to share information regarding our assessment of the commercial opportunities for the treatment of gout and the potential role of lesinurad in such treatment. As a result of such discussions, on March 15, 2012, representatives of Company H conducted on-site due diligence at our offices in San Diego. Upon conclusion of the site visit, Company H advised us that they were interested in proceeding with further due diligence and discussions regarding a potential strategic transaction.

On March 15, 2012, Mr. Davis and Mr. Ladha spoke by telephone about the status of our discussions with AstraZeneca. During the call, Mr. Davis conveyed to Mr. Ladha that our board of directors viewed AstraZeneca s latest proposal as inadequate to justify a sale of Ardea. Mr. Davis also noted that, given the fact we were continuing to advance discussions with other potential strategic partners and the fact that AstraZeneca had additional due diligence to complete, we could neither agree to any specific purchase price at that time nor agree to AstraZeneca s requirement that we do so prior to their commencement of final due diligence. He and Mr. Ladha discussed the fact that there was a desire by both parties to find a path forward and the possibility that AstraZeneca could fall behind other potential strategic partners in the process if AstraZeneca did not promptly commence its final due diligence assessments.

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On March 16, 2012, our board of directors held a telephonic meeting with members of our senior management team and representatives of the Monitor Group to review the final results of our assessment of the commercial opportunities for the treatment of gout. The primary purpose of the meeting was to provide our board of directors with additional information to use in the evaluation of all proposals received from potential strategic partners and to aid our board of directors in making a determination to sell Ardea or continue as an independent company.

In mid-March 2012, Mr. Davis communicated to AstraZeneca, Company A, Company F and Company H that each of them should be prepared to complete its due diligence review and be in a position to submit offers in the first half of April 2012, followed by negotiation of a final purchase price and definitive agreements in the second half of April 2012. Each of such companies indicated that they could meet our proposed timeline.

On March 19, 2012, AstraZeneca commenced additional due diligence and on March 22 and 23, 2012, representatives of AstraZeneca and its various advisors conducted on-site due diligence at our offices in San Diego.

On March 26, 2012, Mr. Davis spoke with Company F regarding the work undertaken by us and the Monitor Group and offered to arrange a meeting with us, representatives of the Monitor Group and Company F. Company F reported that it had reviewed the information we had provided to it and, given that such information was very similar to information that Company F had independently developed, it felt a meeting with the Monitor Group was unnecessary.

On March 27, 2012, our board of directors held a regularly scheduled meeting during which Mr. Davis updated our board of directors on the status of discussions with potential strategic partners. He informed our board of directors that we were in active discussions with four companies AstraZeneca, Company A, Company F and Company H. Mr. Davis indicated that while Company G was continuing to consider a possible transaction, it was not engaged in active discussions with us and it was his belief that Company G was unlikely to move forward with a strategic transaction.

Messrs. Davis and Mischler, together with representatives of the Monitor Group, met with Company A at its offices on March 28, 2012. On March 29, 2012, Messrs. Davis and Mischler and representatives of the Monitor Group met with AstraZeneca at its offices. At each meeting, we shared information regarding our assessment of the commercial opportunities for the treatment of gout and the potential role of lesinurad in such treatment.

On April 5, 2012, Company A informed Mr. Davis and Dr. Quart of its determination that a gout program did not fit its strategic priorities at this time, but that Company A would like to continue discussions after we received the results of our Phase 3 clinical studies if we had not then concluded a strategic transaction with another party.

On April 9, 2012, Company G informed Mr. Davis that it had recently determined that it would focus its U.S. business on specialty pharmaceutical markets and, given the significant primary care nature of gout medications, it was not interested in pursuing further discussions regarding a potential strategic transaction.

On April 11, 2012, Mr. Davis spoke with representatives of Company F to determine the status of Company F s due diligence efforts and to update Company F on our strategic process. Representatives of Company F indicated that it had scheduled a meeting for April 13, 2012 with its executive management group, including Company F s chief executive officer, to discuss a potential strategic transaction with us and would let Mr. Davis know promptly after such meeting whether Company F would submit an offer.

On April 11, 2012, representatives of Company H spoke with representatives of BofA Merrill Lynch. The discussion focused on the valuation of the ex-U.S. component of our lesinurad commercial opportunity. Representatives of Company H and representatives of BofA Merrill Lynch discussed various options for addressing the ex-U.S. valuation of our lesinurad program, including utilizing a CVR that could be issued to our stockholders in connection with an acquisition of Ardea.

On April 11 and 12, 2012, Mr. Ladha and Mr. Davis engaged in two conversations in which Mr. Ladha indicated that members of AstraZeneca s executive management team, including its chief executive

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officer and its chief financial officer, had met recently to review the status of a possible transaction with us. Mr. Ladha indicated that AstraZeneca needed to get final resolution on whether or not a transaction with us was possible in order to determine whether it was in AstraZeneca s interest to invest additional time and resources regarding a potential transaction. He stated that AstraZeneca was prepared to enhance the terms of its last offer on the condition that we agree to a period of exclusivity and, if an acceptable price could be mutually agreed upon, be prepared to spend all of the following week negotiating a definitive merger agreement. Mr. Davis responded that we would have to review any revised proposal with our board of directors before responding to it, but that he felt the likelihood of our board of directors agreeing to any period of exclusivity was remote given the process in which we were actively engaged.

On April 12, 2012, Mr. Davis spoke with a representative of Company H to determine its continued interest in a potential acquisition of Ardea. The representative of Company H stated that Company H was continuing to analyze the valuation of our lesinurad program outside of the U.S. and would likely have to seek a partner to commercialize the ex-U.S. regions. Mr. Davis and Company H s representative discussed the potential for utilizing a CVR to transfer value from the ex-U.S. commercialization to our shareholders, however, Company H expressed concerns regarding the complexity of a CVR, as well as the potential that such a structure would place Company H at a disadvantage relative to other potential bidders that already had a stronger market presence in Europe and Asia. Company H s representative indicated that if Company H could not find a clear path to realize the ex-U.S. value through a partnership, Company H would not be in a position to submit an offer for the acquisition of Ardea. However, Company H indicated that it remained interested in continuing discussions with us and would continue to consider a collaboration with various potential partners to realize the value presented by the ex-U.S. markets.

On the evening of April 12, 2012, Mr. Davis sent an e-mail update to our board of directors describing feedback from AstraZeneca and updating our board of directors on the status of the continuing discussions with Company F and Company H. He indicated that we would continue to work with each of the parties to provide them with all appropriate information so that such parties could timely complete their due diligence review and submit their best offer to acquire us. In the e-mail update, Mr. Davis also provided our board of directors with a form of merger agreement and form of voting agreement that would be provided to the final bidders for their comments.

On April 13, 2012, Mr. Davis spoke with representatives of Company H to further explore the potential for an ex-U.S. partnership or a CVR in hopes of enabling Company H to be in a position to submit an offer.

On April 13, 2012, a representative of Company F telephoned Mr. Davis and a representative of BofA Merrill Lynch to inform them that Company F would be submitting a non-binding proposal to acquire 100% of our outstanding common stock for $25.50 in cash per share. Immediately following the call, Company F forwarded a written proposal to Mr. Davis and the representative of BofA Merrill Lynch confirming the offer, which was conditioned upon Company F s satisfactory completion of due diligence and the negotiation and execution of mutually satisfactory definitive agreements.

On April 13, 2012, Mr. Davis forwarded to each of AstraZeneca and Company F a form of merger agreement and a form of voting agreement contemplated to be entered into by certain members of our board of directors and their respective affiliates in support of a transaction.

On April 14, 2012, Mr. Davis and representatives of BofA Merrill Lynch held a teleconference to discuss the status of discussions with Company H and to address Company H s need for clarity on how to realize the ex-U.S. opportunity for our lesinurad program.

On the morning of April 15, 2012, Dr. Quart, Mr. Davis, a representative of BofA Merrill Lynch and two members of our board of directors held a teleconference to discuss the status of discussions with AstraZeneca, Company F and Company H.

On the evening of April 15, 2012, Mr. Ladha called Mr. Davis to inform him that AstraZeneca was enhancing its offer with the full support of AstraZeneca s board of directors, which would be on stand-by for one week to give final approval to enter into a transaction with us. Mr. Ladha stated that AstraZeneca s revised offer was an all-cash offer of $30.00 per share of our common stock. He stated that the offer reflected a

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substantial premium over our current trading price, but was contingent on us granting AstraZeneca a 10-day period of exclusivity during which time we would cease discussions and negotiations with all other parties who had indicated an interest in a strategic transaction with us and would negotiate solely with AstraZeneca. He also stated that if we did not agree to the exclusivity arrangement, AstraZeneca would consider participating in a process that involved other parties interested in pursuing a strategic transaction with us, but could potentially reduce its offer of $30.00 per share of our common stock. Mr. Ladha communicated to Mr. Davis that before sending written documents reflecting the revised offer of $30.00 per share, AstraZeneca wanted a reaction to its $30.00 per share offer from Mr. Davis, Dr. Quart and the members of our board of directors who would be asked, together with their respective affiliates, to sign voting agreements in support of a transaction with AstraZeneca.

Dr. Quart, Mr. Davis, a representative of BofA Merrill Lynch and the two members of our board of directors who would be asked, together with their respective affiliates, to sign voting agreements in support of a transaction with AstraZeneca held a teleconference on the evening of April 15, 2012 to discuss the revised offer from AstraZeneca.

Following the teleconference, Mr. Davis called Mr. Ladha and informed him that, while our full board of directors would need to review AstraZeneca s latest offer, the two members of our board of directors who would be asked, together with their respective affiliates, to sign voting agreements in support of a transaction with AstraZeneca had viewed favorably the $30.00 per share offer. Mr. Davis, however, made it clear to Mr. Ladha that such individuals were not agreeing to a price of $30.00 per share and that such price had not yet been discussed with our board of directors. Mr. Davis also informed Mr. Ladha that he was confident our board of directors would not agree to any period of exclusivity. However, Mr. Davis told Mr. Ladha that, subject to the approval of our board of directors, we would commit to sending our senior management team and our financial and legal advisors to New York to attempt to negotiate a final offer that was acceptable to us and AstraZeneca and a mutually acceptable merger agreement and voting agreement, with the goal of executing definitive documents for a transaction, or determining within the one-week period prescribed by AstraZeneca that no agreement could be reached. Messrs. Davis and Ladha tentatively agreed that both parties, along with their respective advisors, would meet in New York on April 17, 2012. Mr. Ladha noted to Mr. Davis that if the parties did not complete negotiations and finalize definitive agreements in the timeframe set forth by AstraZeneca, it was likely that AstraZeneca would need to move on to other opportunities. Following this conversation, Mr. Ladha forwarded to Mr. Davis a mark-up of the draft merger agreement and voting agreement prepared by AstraZeneca and Covington & Burling LLP, its outside legal counsel (Covington).

On the morning of April 16, 2012, our board of directors met telephonically. Also on the call were members of our senior management team, including Dr. Quart and Mr. Davis, and representatives of BofA Merrill Lynch and Paul Hastings LLP, our outside legal counsel (Paul Hastings). Dr. Quart and Mr. Davis updated our board of directors on the status of discussions with AstraZeneca, Company F and Company H. Mr. Davis informed our board of directors that AstraZeneca had increased its offer to $30.00 per share of our common stock, conditioned on us entering into a 10-day exclusivity period. Dr. Quart and Mr. Davis described the continuing due diligence being conducted by Company F. Mr. Davis also informed our board of directors that Company F had not yet submitted a mark-up to the merger agreement or voting agreement. Our board of directors discussed the status of discussions with AstraZeneca, Company F and Company H and directed our senior management to meet with AstraZeneca in New York with the goal of determining whether a final agreement could be reached. Our board of directors also instructed our senior management team to continue discussions with Company F and Company H.

Following the board of directors meeting, Mr. Davis spoke to a representative of Company F to discuss the current status of Company F s continuing technical assessments and legal due diligence. Mr. Davis informed Company F s representative that discussions with other parties were progressing very rapidly. He stated that Company F should complete its corporate due diligence as quickly as possible and submit a final offer and final merger agreement and voting agreement by the end of the week. Company F s representative indicated that Company F and its advisors were committed to finalizing their work and would meet the schedule proposed by Mr. Davis.

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On April 17, 2012, Dr. Quart, Mr. Davis, Mr. Christian Waage, our Vice President, General Counsel, and representatives from each of BofA Merrill Lynch and Paul Hastings met with AstraZeneca, Morgan Stanley & Co., AstraZeneca s financial advisor, and Covington at the offices of Covington in New York. Between April 17, 2012 and April 20, 2012, both parties and their advisors continued to negotiate the terms of a merger agreement and voting agreement. In addition, AstraZeneca and its advisors continued their due diligence review.

On April 17, 2012, Company F s representative called Mr. Davis to inform him that Company F was increasing its offer to $30.25 per share of our common stock. On the call, Company F stated that it was nearing completion of its due diligence and would promptly provide a mark-up of the merger agreement and voting agreement. Immediately following the call, Company F forwarded a written proposal confirming its offer of $30.25 per share of our common stock. Between April 17, 2012 and April 20, 2012, representatives of Paul Hastings and Company F s outside legal advisors discussed several issues relating to the merger agreement and voting agreement.

On the evening of April 17, 2012, the evening of April 18, 2012 and the afternoon of April 19, 2012, members of our senior management team held teleconferences with the two members of our board of directors who would be asked, together with their respective affiliates, to sign voting agreements in support of a transaction in order to update them on the status of negotiations with AstraZeneca and Company F and the status of Company H s decision regarding a potential transaction.

On April 18, 2012, Mr. Davis called Company H s representative to suggest means by which Company H might realize the ex-U.S. opportunities for our lesinurad program, and to outline a variety of partnering options in that regard. Company H s representative reiterated that while the information was encouraging, Company H would not be able to submit an offer without a detailed understanding of a partnership arrangement for the ex-U.S. opportunity.

On the morning of April 19, 2012, Company F s outside legal advisors submitted a mark-up of the merger agreement and voting agreement to us, each of which reflected terms that were generally agreeable to us and the two members of our board of directors who would be asked, together with their respective affiliates, to sign voting agreements in support of a transaction with Company F. During the course of the day, Paul Hastings refined the provisions of the mark-up to the merger agreement and voting agreement it had received from Company F s counsel.

On April 19, 2012, Paul Hastings continued to negotiate the terms of the AstraZeneca merger agreement and voting agreement with Covington. By the end of the day on April 19, 2012, we had reached agreement with both AstraZeneca and Company F on all material outstanding issues on their respective merger agreements and voting agreements. On the afternoon of April 19, 2012, our board of directors held a telephonic meeting to discuss the status of discussions with AstraZeneca, Company F and Company H. Members of our senior management team and representatives of each of BofA Merrill Lynch and Paul Hastings were also on the call. Mr. Davis updated our board of directors on the status of negotiations with AstraZeneca and Company F and indicated that Company H was still expressing concerns regarding the ex-U.S. commercial opportunity with respect to our lesinurad program and such concerns remained an obstacle to submitting an offer. Following a discussion, our board of directors determined that it would not be prudent to risk losing the offers from AstraZeneca and Company F in order to allow more time for Company H to determine whether it would submit an offer, and instructed Mr. Davis to advise both AstraZeneca and Company F that final offers would be due at noon the following day, April 20, 2012.

Mr. Davis met with Mr. Ladha on the evening of April 19, 2012 and informed him that another party had submitted a higher offer, together with an acceptable mark-up of the merger agreement and voting agreement. He also informed Mr. Ladha of our board of directors request that both parties submit final offers by noon the following day and that we would select the winning party shortly thereafter and execute definitive agreements with such party. Mr. Davis then informed Company F s representative of the same final offer deadline.

On the morning of April 20, 2012, Dr. Quart and Mr. Davis spoke by teleconference to representatives of Company F. Company F s representatives informed Dr. Quart and Mr. Davis that Company F would need to

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conduct additional assessments before it would be in a position to reassess its offer, and indicated that it believed the additional assessments would take approximately two weeks to complete. During the day of April 20, 2012, we sent information to Company F in an effort to try to accelerate its additional assessments. Company F confirmed receipt of the information and also conveyed to Mr. Davis its position that it would not raise its offer at that time.

At approximately 1:00 p.m. on April 20, 2012, Mr. Ladha called Mr. Davis to inform him that AstraZeneca was submitting a final offer of $32.00 per share of our outstanding common stock. Mr. Ladha stressed that AstraZeneca would not raise its offer further and any attempt to further negotiate would result in AstraZeneca withdrawing from the process. He also indicated that the $32.00 per share offer was contingent on final agreements being executed by the end of that day, subject only to the final approval of AstraZeneca s board of directors.

Our board of directors convened a telephonic meeting at 2:00 p.m. on April 20, 2012. Mr. Davis provided an update to our board of directors regarding the status of negotiations with AstraZeneca and Company F. He advised our board of directors that AstraZeneca had increased its offer to $32.00 per share of our common stock and noted that Mr. Ladha had indicated that it was AstraZeneca s final offer. Mr. Davis communicated to our board of directors that, based on the negotiations to date and the conversation he had with Mr. Ladha, Mr. Davis believed that AstraZeneca would not raise its offer any further and that AstraZeneca was serious about withdrawing its offer and dropping out of the process if definitive agreements were not finalized and executed by the end of the day. Mr. Davis then advised our board of directors that Company F had informed him that it would need another two weeks to reassess its offer and that it would not raise its offer of $30.25 per share of our common stock. Both Dr. Quart and Mr. Davis expressed serious concerns that if we attempted to extend the process to allow Company F more time to complete its additional assessments and reassess its offer, AstraZeneca would likely withdraw from the process altogether. In addition, Mr. Davis noted that even if Company F was satisfied with its additional assessments, it was uncertain whether Company F would increase its offer above AstraZeneca s offer. Paul Hastings then reviewed with our board of directors their fiduciary duties in the context of a sale of Ardea and summarized the material terms of the proposed merger agreement to be entered into between us and Zeneca, a wholly owned subsidiary of AstraZeneca, and the form of voting agreement to be entered into by certain of our directors and their respective affiliates who collectively held approximately 29.6% of our outstanding common stock. BofA Merrill Lynch made a presentation to our board of directors regarding its financial analyses of the offer of $32.00 per share of our common stock received from AstraZeneca and delivered to our board of directors an oral opinion, which was confirmed by the delivery of a written opinion dated April 20, 2012, to the effect that, as of such date and based upon and subject to various assumptions and limitations described in such opinion, the $32.00 per share offer price to be received by the holders of our common stock was fair, from a financial point of view, to such holders. After discussion, our board of directors unanimously determined it was advisable and fair to and in the best interests of Ardea and our stockholders to enter into the merger agreement with Zeneca and complete the proposed merger. Our board of directors then resolved unanimously to approve the merger agreement and the voting agreements.

Following the board of directors meeting, Dr. Quart and Mr. Davis called Mr. Ladha to inform him that our board of directors had unanimously approved moving forward with the transaction with AstraZeneca.

During the remainder of April 20, 2012 and into the early morning of April 21, 2012, the parties and their respective advisors finalized the merger agreement, voting agreements and schedules relating thereto. On the morning of April 21, 2012, Mr. Ladha informed Mr. Davis that he had received final approval of AstraZeneca s board of directors to execute the merger agreement and the voting agreements. We each exchanged executed signature pages shortly thereafter.

On the morning of April 23, 2012, prior to the opening of the U.S. trading markets, we and AstraZeneca issued press releases announcing the signing of the Merger Agreement.

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Recommendation of the Board of Directors of Ardea and its Reasons for the Merger

Our board of directors, after considering the factors described below and after consulting with its legal and financial advisors, (i) has unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable and fair to and in the best interests of, Ardea and our stockholders, (ii) has unanimously authorized and approved the Merger Agreement and the Voting Agreements and (iii) unanimously recommends that you vote FOR the Merger Proposal. Our board of directors consulted with our senior management in evaluating the Merger. In addition, our board of directors considered a number of factors that they believed supported their decision to take the foregoing actions, including, but not limited to, the following:

the fact that AstraZeneca s offer will be paid in cash, providing certainty, immediate value and liquidity to our stockholders;

the ability of AstraZeneca to pay the aggregate merger consideration and the absence of a financing condition to the closing of the Merger;

the belief of our board of directors that $32.00 per share represented the highest consideration that AstraZeneca was willing to pay and the highest per share value obtainable on the date of signing;

the relationship between the $32.00 price per share and the recent historical market prices of our common stock and the deliberations of our board of directors over such price, including their consideration that such price represented a premium of 50% over the one-month volume weighted average price as of April 20, 2012 (the last trading day before the public announcement of the proposed Merger) and a 54% premium based on the closing price of our common stock on the NASDAQ Global Select Market on such date;

the knowledge of our board of directors and their familiarity with our business, financial condition and results of operations, as well as our financial plan, prospects and competitive position if we were to remain as a stand-alone entity, and their belief that the Merger is more favorable to our stockholders than any other strategic alternative reasonably available to us, including remaining as a stand-alone entity;

the risks inherent in the development and commercialization of small-molecule therapeutics for the treatment of serious diseases, the risks related to clinical data results, approval for marketing by the FDA, and any potential conditions or contingencies of such approval, and market acceptance, if approved, and other factors affecting the revenues and profitability of biotechnology products generally;

the significant risks and considerable costs associated with a successful launch and commercialization by Ardea of lesinurad (formerly known as RDEA594) as a primary care drug due, in part, to our lack of any material U.S. and global sales or marketing infrastructure or capabilities;

the opinion of BofA Merrill Lynch, dated April 20, 2012, 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 per share merger consideration of $32.00 to be received by our stockholders, as more fully described below in the section entitled The Merger Opinion of Ardea s Financial Advisor beginning on page 35;

the terms and conditions of the Merger Agreement, including the following related factors:

the conclusion of our board of directors that the $41 million termination fee payable to Zeneca in the circumstances set forth in the Merger Agreement is reasonable in the context of termination fees that were payable in comparable transactions and would not be likely to preclude another party from making a superior proposal with respect to Ardea; and

the belief that the terms of the Merger Agreement, including the parties representations, warranties and covenants, and the conditions to their respective obligations to complete the Merger, are reasonable under the circumstances;

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the Voting Agreements entered into by the Key Stockholders, pursuant to which such stockholders agreed, solely in their capacity as stockholders, to vote all of their shares of Ardea common stock (representing approximately 29.6% of the outstanding shares of Ardea common stock on April 20, 2012, the last trading day before the public announcement of the proposed Merger) in favor of the Merger Proposal and against any alternative acquisition transaction or any other action involving Ardea that is intended to or would reasonably be expected to impede, prevent, delay or adversely affect the Merger or any other transactions contemplated by the Merger Agreement;

the likelihood that the Merger will be completed on a timely basis;

the costs, timing, uncertainty, risks and dilution to our stockholders of raising additional capital to fund further development costs, to achieve and maintain profitability; and

the strategic options available to Ardea (including a customary collaboration with or license to another party of lesinurad) and Ardea s assessment that none of these options, including remaining as a stand-alone entity, is likely to present an opportunity that is equal or superior to the Merger or to create value for the stockholders that is equal to or greater than that created by the Merger in the foreseeable future.

Our board of directors also considered a number of potentially negative factors in its deliberations concerning the Merger, including:

the fact that, because the stockholders are receiving cash for their shares of Ardea common stock, they will not participate in any potential future growth of either Ardea or AstraZeneca;

the fact that the Merger will be a taxable transaction to our stockholders;

the potential impact of the Merger on our employees, including the possibility that jobs may be eliminated;

the substantial transaction costs to be incurred by us in connection with the Merger, even if the Merger is not completed in a timely manner or at all;

the interests of our directors and executive officers in the Merger, including the matters described under the section entitled The Merger Interests of the Directors and Executive Officers of Ardea in the Merger beginning on page 42;

the fact that certain deal protection measures contained in the Merger Agreement, including the no solicitation provisions limiting Ardea s ability to engage in discussions or negotiations regarding an alternative acquisition proposal and the $41 million termination fee payable by Ardea to Zeneca under certain circumstances, could have the effect of discouraging or devaluing alternative acquisition proposals involving Ardea, including those that could otherwise become superior proposals;

the risk that conditions to the completion of the Merger will not be satisfied and that the Merger may not be completed in a timely manner or at all;

if the Merger is not completed, the potential adverse effect of the public announcement of the Merger on our business and, potentially, on our stock price; and

the restrictions on the conduct of our business prior to the completion of the Merger, which require us to carry on our business in the ordinary course and consistent with past practice, subject to specific additional restrictions, which may delay or prevent us from pursuing business opportunities that would otherwise be in our best interests.

This discussion of the information and factors considered by our board of directors is not intended to be exhaustive, but is intended to summarize certain material factors considered by our board of directors in connection with its approval and recommendation of the Merger and the other related transactions described in this proxy statement. In view of the wide variety of factors considered, our board of directors did not find it practicable to quantify or otherwise assign relative weights to the specific factors considered. However, our board of directors concluded that the potential benefits of the Merger outweighed the potential negative factors

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and that, overall, the Merger had greater potential benefits for our stockholders than other strategic alternatives. Therefore, after taking into account all of the factors set forth above, our board of directors determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable and fair to and in the best interests of Ardea and its stockholders and that we should enter into the Merger Agreement and take all actions necessary to complete the Merger.

Certain Financial Forecasts Utilized by Ardea in Connection with the Merger

Ardea does not, as a matter of course, publicly disclose long-term forecasts or internal projections as to future performance, earnings, or other results, and we are particularly concerned with making such forecasts and projections due to the unpredictability of the underlying assumptions and estimates. However, in connection with the analysis of the Merger, Ardea s management prepared three separate sets of financial forecasts: (i) projected U.S. lesinurad sales in an acquisition scenario, (ii) projected U.S. lesinurad sales in a stand-alone scenario and (iii) a stand-alone global, probability adjusted, profit and loss (P&L) forecast. These unaudited financial forecasts were developed to facilitate our strategic discussions and for use by our board of directors in connection with its evaluation of the Merger compared to continuing as a stand-alone company. In addition, we provided the forecast for the stand-alone scenario for U.S. lesinurad sales and the forecasts for stand-alone global, probability adjusted, P&L to BofA Merrill Lynch in connection with its analyses and preparation of its fairness opinion. The forecasts for the acquisition scenario for U.S. lesinurad sales were provided to potential acquirors, including AstraZeneca, in connection with the Merger. Neither the forecasts for the stand-alone scenario for U.S. lesinurad sales nor the forecasts for stand-alone global, probability adjusted, P&L were provided or made available to AstraZeneca or any other potential acquiror prior to the execution of the Merger Agreement with Zeneca.

The financial forecasts were not prepared with a view toward public disclosure, however, we have included below a summary of the financial forecasts to provide you access to certain non-public information that was furnished to our board of directors, our financial advisor and third parties in connection with the Merger. The financial forecasts reflect numerous estimates and assumptions made by Ardea s management team with respect to general business and economic conditions and competitive, regulatory and other future events, as well as matters related specifically to Ardea s commercialization of lesinurad, such as product pricing and reimbursement rates, product launch dates, market penetration, market exclusivity, receipt of regulatory approvals for lesinurad both within and outside the U.S., availability of capital to fund product launches and levels of operating expenses, among other things, all of which are difficult to predict and inherently subjective and many of which are beyond our control. Please read the information set forth below under the heading Important Information About the Financial Forecasts.

U.S. Lesinurad Sales Forecasts

Acquisition Scenario U.S. Lesinurad Sales

The projections of U.S. lesinurad sales in an acquisition scenario (the Acquisition Scenario) assume that during the conduct of Phase 3 studies Ardea is acquired by a large-cap global pharmaceutical company with a significant primary care sales force and significantly greater resources and commercial expertise than Ardea. In this sales forecast, we assumed the acquiror would make significant pre-commercial investments in market preparation and would deploy established primary care resources and expertise to achieve the projected U.S. sales levels.

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Stand-Alone Scenario U.S. Lesinurad Sales

The projections of U.S. lesinurad sales in a stand-alone scenario through 2029 assume that Ardea continues to operate as an independent company and independently launches and sells lesinurad utilizing a newly built primary care sales force. In this sales forecast, we assumed Ardea would be able to achieve an overall level of sales revenue that is lower than those achieved in the Acquisition Scenario due to the fact that Ardea would be required to build the infrastructure and develop the expertise and resources required to launch a primary care drug and such newly-built capabilities would not be as effective as the established capabilities of a potential acquiror.

	Fiscal Year Ending December 31, (amounts in millions)																		
	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Acquisition Scenario U.S. Lesinurad Sales	**$ 0**	**$ 0**	**$ 0**	**$ 161**	**$ 493**	**$ 887**	**$ 1,252**	**$ 1,742**	**$ 2,092**	**$ 2,222**	**$ 2,304**	**$ 2,389**	**$ 2,477**	**$ 2,569**	**$ 2,665**	**$ 2,765**	**$ 282**	**$ 144**	**$ 147**
Stand-Alone Scenario U.S. Lesinurad Sales	**$ 8**	**$ 0**	**$ 11**	**$ 130**	**$ 334**	**$ 604**	**$ 882**	**$ 1,108**	**$ 1,304**	**$ 1,392**	**$ 1,486**	**$ 1,587**	**$ 1,695**	**$ 1,810**	**$ 1,934**	**$ 2,067**	**$ 211**	**$ 108**	

Stand-alone Global, Probability Adjusted, P&L

Our management team also prepared a global, probability adjusted, P&L forecast. In this forecast, we assumed that Ardea remains as a stand-alone company, builds a primary care sales force in the U.S. and launches lesinurad in the U.S. For commercialization outside of the U.S., we assumed Ardea partners lesinurad ex-U.S. rights to third parties in exchange for upfront payments, milestones and royalties. This forecast reflects numerous adjustments, including (i) a gross to net discount on sales of 25% to reflect selling discounts, reimbursements, rebates and similar price reductions, (ii) an 80% probability of regulatory approval for lesinurad and 20% for BAY 86-9766, (iii) adjustments for U.S. revenues from sales of lesinurad based on probability of commercial success (<$500mm = 100%, $500mm $1,000mm = 90%, >$1,000mm 1,500mm = 80%, >$1,500mm $2,000mm = 70% and >$2,000mm = 60%), (iv) partnering of lesinurad in the EU with a 20% royalty on net sales, with an upfront payment of $80 million in 2013 and $40 million upon EU regulatory approval in 2014, (v) partnering of lesinurad in Japan with a 15% royalty on net sales, with an upfront payment of $50 million in 2014 and $25 million upon Japanese regulatory approval in 2015, (vi) adjustments for EU/Japan sales of lesinurad from which the royalties to Ardea described in clauses (iv) and (v) of this sentence are derived based on probability of commercial success (<$150mm = 100%, >$150mm $300mm = 90%, >$300mm $450mm = 80%, >$450mm $600mm = 70% and >$600mm = 60%) and (vii) adjustments to reflect operational costs Ardea would incur as a stand-alone company.

	Fiscal Year Ending December 31, (amounts in millions, except EPS)																	
	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Lesinurad U.S. Sales, net	$ 0	$ 0	$ 7	$ 78	$ 200	$ 362	$ 516	$ 638	$ 744	$ 788	$ 833	$ 882	$ 933	$ 989	$ 1,048	$ 1,108	$ 126	$ 65
Lesinurad ex-U.S. Royalties, net	$ 0	$ 0	$ 1	$ 11	$ 29	$ 43	$ 58	$ 74	$ 82	$ 83	$ 84	$ 85	$ 86	$ 87	$ 87	$ 88	$ 89	$ 38
Lesinurad Upfront and Milestone Payments	$ 0	$ 80	$ 90	$ 25	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0