

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-36352

AKEBIA THERAPEUTICS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

245 First Street, Suite 1100, Cambridge, MA
(Address of Principal Executive Offices)

20-8756903
(I.R.S. Employer
Identification No.)

02142
(Zip Code)

(617) 871-2098

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at October 31, 2014</u>
Common Stock, \$0.00001 par value	20,340,805

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) with the intention of obtaining the benefits of the “safe harbor” provisions of the PSLRA. Forward-looking statements involve risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the projected timing of (1) data from our recently completed Phase 2b study of AKB-6548 in non-dialysis patients with anemia related to chronic kidney disease (CKD), (2) commencement of a Phase 3 development program of AKB-6548, (3) submission of an NDA for AKB-6548 and (4) data from our Phase 2 clinical study of AKB-6548 in CKD patients undergoing dialysis;
- our plans to commercialize AKB-6548, if it is approved;
- our development plans with respect to AKB-6899;
- the timing or likelihood of regulatory filings and approvals, including any required post-marketing testing or any labeling and other restrictions;
- the implementation of our business model and strategic plans for our business, product candidates and technology;
- our commercialization, marketing and manufacturing capabilities and strategy;
- the rate and degree of market acceptance and clinical utility of our products;
- our competitive position;
- our intellectual property position;
- developments and projections relating to our competitors and our industry;
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act;
- our estimates regarding expense, future revenue, capital requirements and needs for additional financing; and
- other risks and uncertainties, including those listed under Part II, Item 1A. Risk Factors.

All forward-looking statements in this Quarterly Report on Form 10-Q involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Part II, Item 1A. Risk Factors and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

NOTE REGARDING STOCK SPLIT

Unless otherwise indicated, all information in these financial statements gives retrospective effect to the 1.75-for-1 stock split of the Company’s common stock (the Stock Split) that was effected on March 6, 2014, as well as any other stock-splits in historical periods.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

AKEBIA THERAPEUTICS, INC.

Condensed Balance Sheets

(unaudited)

(in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,668	\$ 21,215
Available for sale securities	68,670	11,341
Accounts receivable	57	135
Prepaid expenses and other current assets	1,445	740
Total current assets	119,840	33,431
Property and equipment, net	205	30
Deferred offering costs	—	1,079
Other assets	125	125
Total assets	<u>\$ 120,170</u>	<u>\$ 34,665</u>
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 3,032	\$ 714
Accrued expenses	3,490	3,188
Total current liabilities	6,522	3,902
Other liabilities	34	8
Total liabilities	\$ 6,556	\$ 3,910
Redeemable convertible preferred stock; \$0.00001 par value; 0 and 5,500,636 shares authorized at September 30, 2014 and December 31, 2013, respectively:		
Series A redeemable convertible preferred stock; 0 and 734,538 shares issued and outstanding at September 30, 2014 and December 31, 2013; (Aggregate liquidation preference of \$39,367 at December 31, 2013)	—	39,367
Series B redeemable convertible preferred stock; 0 and 1,287,525 shares issued and outstanding at September 30, 2014 and December 31, 2013; (Aggregate liquidation preference of \$21,031 at December 31, 2013)	—	21,257
Series C redeemable convertible preferred stock; 0 and 3,302,885 shares issued and outstanding at September 30, 2014 and December 31, 2013; (Aggregate liquidation preference of \$97,203 at December 31, 2013)	—	97,203
Total redeemable convertible preferred stock	<u>\$ —</u>	<u>\$ 157,827</u>
Stockholders' equity (deficit):		
Preferred stock \$0.00001 par value, 25,000,000 and 0 shares authorized; 0 shares outstanding at September 30, 2014 and December 31, 2013, respectively	—	—
Common stock: \$0.00001 par value; 175,000,000 and 14,700,000 authorized at September 30, 2014 and December 31, 2013, respectively; 20,300,243 and 1,383,345 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	—	—
Additional paid-in capital	204,048	—
Treasury Stock, at cost, 2,553 shares	(79)	—
Accumulated other comprehensive loss	(52)	—
Accumulated deficit	(90,303)	(127,072)
Total stockholders' equity (deficit)	113,614	(127,072)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	<u>\$ 120,170</u>	<u>\$ 34,665</u>

See accompanying notes to unaudited financial statements.

AKEBIA THERAPEUTICS, INC.

**Condensed Statements of Operations and Comprehensive Loss
(Unaudited)
(in thousands, except share and per share data)**

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Operating expenses:				
Research and development	\$ 6,648	\$ 3,240	\$ 18,330	\$ 7,591
General and administrative	2,936	794	9,003	2,141
Total operating expenses	<u>9,584</u>	<u>4,034</u>	<u>27,333</u>	<u>9,732</u>
Operating loss	(9,584)	(4,034)	(27,333)	(9,732)
Other income (expense):				
Interest income (expense), net	56	28	125	(723)
Extinguishment of debt and other liabilities	—	—	—	2,420
Reimbursements from Aerpio	180	238	544	816
Net loss	<u>\$ (9,348)</u>	<u>\$ (3,768)</u>	<u>\$ (26,664)</u>	<u>\$ (7,219)</u>
Reconciliation of net loss to net loss applicable to common stockholders:				
Net loss	\$ (9,348)	\$ (3,768)	\$ (26,664)	\$ (7,219)
Accretion on preferred stock	—	(2,748)	(86,899)	(52,862)
Net loss applicable to common stockholders	<u>\$ (9,348)</u>	<u>\$ (6,516)</u>	<u>\$ (113,563)</u>	<u>\$ (60,081)</u>
Net loss per share applicable to common stockholders—basic and diluted				
	<u>\$ (0.47)</u>	<u>\$ (11.92)</u>	<u>\$ (8.16)</u>	<u>\$ (117.94)</u>
Weighted-average number of common shares used in net loss per share applicable to common stockholders—basic and diluted				
	<u>19,691,167</u>	<u>546,714</u>	<u>13,920,651</u>	<u>509,425</u>
Comprehensive loss:				
Net loss	\$ (9,348)	\$ (3,768)	\$ (26,664)	\$ (7,219)
Other comprehensive loss:				
Unrealized loss on securities	(43)	—	(52)	—
Comprehensive loss	<u>\$ (9,391)</u>	<u>\$ (3,768)</u>	<u>\$ (26,716)</u>	<u>\$ (7,219)</u>

See accompanying notes to unaudited financial statements.

AKEBIA THERAPEUTICS, INC.

Condensed Statements of Cash Flows
(Unaudited)
(in thousands)

See accompanying notes to unaudited financial statements.

	Nine months ended September 30,	
	2014	2013
Operating activities:		
Net loss	\$ (26,664)	\$ (7,219)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on extinguishment of debt and other liabilities	—	(2,420)
Depreciation expense	33	—
Amortization of debt issuance costs	—	4
Amortization of premium/discount on investments	124	752
Stock-based compensation expense	5,125	438
Changes in operating assets and liabilities:		
Accounts receivable	78	(80)
Prepaid expenses and other current assets	(688)	(28)
Accounts payable and accrued expenses	3,683	2,129
Other liabilities	29	—
Net cash used in operating activities	<u>(18,280)</u>	<u>(6,424)</u>
Investing activities:		
Purchase of equipment	(208)	(6)
Proceeds from maturities of available for sale securities	6,990	—
Purchases of available for sale securities	(64,497)	(13,154)
Net cash used in investing activities	<u>(57,715)</u>	<u>(13,160)</u>
Financing activities:		
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	42,546
Repurchase of treasury stock	(79)	—
Proceeds from issuance of common stock, net of issuance costs	104,293	—
Proceeds from receipt of payment on promissory notes issued in exchange for shares of common stock	237	—
Payments on capital lease obligations	(3)	—
Net cash provided by financing activities	<u>104,448</u>	<u>42,546</u>
Increase in cash and cash equivalents	28,453	22,962
Cash and cash equivalents at beginning of period	21,215	1,641
Cash and cash equivalents at end of period	<u>\$ 49,668</u>	<u>\$ 24,603</u>
Non-cash financing activities:		
Accretion of preferred stock to redemption value	\$ 86,899	\$ 52,862
Unpaid initial public offering issuance costs	\$ 15,000	\$ —
Reclassification of 2012 Series X preferred stock from debt to preferred stock	\$ —	\$ 2,486
Conversion of 2012 Series X preferred stock into Series C preferred stock	\$ —	\$ 4,944

Akebia Therapeutics, Inc.

Notes to Financial Statements
(Unaudited)

September 30, 2014

1. Nature of Organization and Operations

Akebia Therapeutics, Inc. (Akebia, or the Company) is a biopharmaceutical company focused on delivering innovative therapies to patients with kidney disease through the biology of hypoxia inducible factor (HIF). HIF is the primary regulator of the production of red blood cells in the body and a potentially novel mechanism of treating anemia. The Company's lead product candidate, AKB-6548, is being developed as a once-daily, oral therapy that has successfully completed a Phase 2b study demonstrating that AKB-6548 can safely and predictably raise hemoglobin levels in non-dialysis patients with anemia related to chronic kidney disease (CKD).

The Company's operations to date have been limited to organizing and staffing the Company, business planning, raising capital, acquiring and developing its technology, identifying potential product candidates and undertaking preclinical and clinical studies. The Company has not generated any product revenue to date, nor is there any assurance of any future product revenue. The Company's product candidates are subject to long development cycles and there is no assurance the Company will be able to successfully develop, obtain regulatory approval for or market its product candidates.

The Company is subject to a number of risks including, but not limited to, the need to obtain adequate additional funding, possible failure of preclinical testing or clinical trials, the need to obtain marketing approval for its product candidates, the development of new technological innovations by competitors, the need to successfully commercialize and gain market acceptance of any of the Company's products that are approved and the ability to protect its proprietary technology. If the Company does not successfully commercialize any of its products, it will be unable to generate product revenue or achieve profitability.

Unless otherwise indicated, all information in these financial statements gives retrospective effect to the 1.75-for-1 stock split of the Company's common stock (the Stock Split) that was effected on March 6, 2014 (see Note 7), as well as any other stock-splits in historical periods.

The Company was incorporated on February 27, 2007 under the laws of the State of Delaware.

2. Summary of Significant Accounting Policies

Initial Public Offering

On March 25, 2014, the Company completed its initial public offering (IPO) whereby the Company sold 6,762,000 shares of common stock including 879,647 shares of common stock pursuant to the full exercise of an over-allotment option granted to the underwriters in connection with the offering at a price of \$17.00 per share. The shares began trading on the Nasdaq Global Market on March 20, 2014. The aggregate net proceeds received by the Company from the offering were \$104,364,560, net of underwriting discounts and commissions and estimated offering expenses payable by the Company. Upon the closing of the IPO, all outstanding shares of convertible redeemable preferred stock converted into 12,115,183 shares of common stock. Additionally, the Company is now authorized to issue 175,000,000 shares of common stock and 25,000,000 shares of undesignated preferred stock.

Our preferred stock is redeemable at the greater of fair value or the original issuance price. We recorded \$86,899,555 of accretion on the preferred stock in the period from January 1, 2014 through the date of the closing of our IPO which represents the difference in the carrying value at December 31, 2013 and the fair value of the preferred stock just prior to conversion into common stock.

Basis of Presentation

The accompanying financial statements are unaudited and have been prepared by the Company in accordance with U.S. GAAP and are stated in U.S. Dollars. Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. These interim financial statements, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of the Company's financial position and results of operations for the interim periods ended September 30, 2014 and 2013.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013, and the notes thereto, which are included in the Company's prospectus that forms a part of the Company's

Registration Statement on Form S-1 (File No. 333-193969 and 333-194695), which was filed with the Securities and Exchange Commission (SEC) on March 21, 2014.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In June 2014, the FASB issued ASU No. 2014-10, which eliminates the concept of a development stage entity, or DSE, in its entirety from GAAP. Under existing guidance, DSEs are required to report incremental information, including inception-to-date financial information, in their financial statements. A DSE is an entity devoting substantially all of its efforts to establishing a new business and for which either planned principal operations have not yet commenced or have commenced but there has been no significant revenues generated from that business. Entities classified as DSEs will no longer be subject to these incremental reporting requirements after adopting ASU No. 02014-10. ASU No. 2014-10 is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. Retrospective application is required for the elimination of incremental DSE disclosure. Prior to the issuance of ASU No. 2014-10, the Company had met the definition of a DSE since its inception. The Company elected to adopt this ASU early and, therefore, it has eliminated the incremental disclosures previously required of DSEs, starting with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-36352), which was filed with the SEC on August 11, 2014.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment, which is the business of developing and commercializing proprietary therapeutics based on HIF biology.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management considers many factors in selecting appropriate financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including: expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes, and management must select an amount that falls within that range of reasonable estimates. Estimates are used in the following areas, among others: stock-based compensation expense, fair value of common stock and preferred stock and the Company's other equity instruments (in periods prior to the IPO), accrued expenses, prepaid expenses and income taxes.

Prior to the IPO, the Company utilized significant estimates and assumptions in determining the fair value of its common stock. The Company granted stock options at exercise prices not less than the fair market value of its common stock as determined by the Board of Directors contemporaneously at the date such grants were made, with input from management. For periods prior to March 2014, the fair value of common stock at the grant date was adjusted in connection with the Company's retrospective fair value assessment for financial reporting purposes. Prior to the Company's IPO, the Board of Directors determined the estimated fair value of the Company's common stock based on a number of objective and subjective factors, including external market conditions affecting the biotechnology industry sector and the prices at which the Company sold shares of preferred stock, the superior rights and preferences of securities senior to the Company's common stock at the time and the likelihood of achieving a liquidity event, such as an IPO or sale of the Company.

The Company utilized various valuation methodologies in accordance with the framework of the American Institute of Certified Public Accountants Technical Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, to estimate the fair value of its common stock in periods prior to March 2014. The methodologies included a probability analysis including both a potential public trading scenario and potential sale scenario. In both scenarios, value is estimated using the guideline public company method. The sale scenario includes an adjustment for a market participant acquisition premium. Value is allocated among the preferred and common shares according to the rights associated with each type of security. Valuation methodologies include estimates and assumptions that require the Company's judgment. These estimates include assumptions regarding future performance, including the successful completion of a public offering. Significant changes to the key assumptions used in the valuations could result in different fair values of common stock at each valuation date.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash on hand, deposits and funds invested in available for sale securities with original maturities of three months or less at the time of purchase. At September 30, 2014, the Company's cash is primarily in money market funds. The Company may maintain balances with its banks in excess of federally insured limits.

Investments

Management determines the appropriate classification of securities at the time of purchase and reevaluates such designation as of each balance sheet date. Currently, the Company classifies all securities as available-for-sale which are included in current assets as they are intended to fund current operations. The Company carries available-for-sale securities at fair value, with temporary unrealized gains and losses, reported in accumulated other comprehensive income, a component of stockholders' equity (deficit). The amortized cost of debt securities in this category reflects amortization of premiums and accretion of discounts to maturity computed under the effective interest method. The Company includes this amortization in the caption "Interest income (expense), net" within the Condensed Statements of Operations and Comprehensive Loss. We also include in net investment income, realized gains and losses and declines in value determined to be other than temporary. The Company bases the cost of securities sold upon the specific identification method, and includes interest and dividends on securities in interest income.

Research and Development

Costs incurred in connection with research and development activities are expensed as incurred. Research and development expenses consist of (i) employee-related expenses, including salaries, benefits, travel and stock-based compensation expense; (ii) external research and development expenses incurred under arrangements with third parties, such as contract research organizations, investigational sites and consultants; (iii) the cost of acquiring, developing and manufacturing clinical study materials; (iv) facilities and other expenses, which include direct and allocated expenses for rent and maintenance of facilities; and (v) costs associated with preclinical and clinical activities and regulatory operations.

The Company enters into consulting, research and other agreements with commercial firms, researchers, universities and others for the provision of goods and services. Under such agreements, the Company may pay for services on an hourly, monthly, quarterly, project or other basis. Such arrangements are generally cancellable upon reasonable notice and payment of costs incurred. Costs are considered incurred based on an evaluation of the progress to completion of specific tasks under each contract using information and data provided to us by the Company's clinical sites and vendors. These costs consist of direct and indirect costs associated with specific projects, as well as fees paid to various entities that perform certain research on behalf of the Company.

Patents

Costs incurred in connection with the application for and issuance of patents are expensed as incurred.

Organizational Costs

All organizational costs and start-up costs are expensed as incurred.

Income Taxes

Income taxes are recorded in accordance with FASB Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position, as well as consideration of the available facts and circumstances. As of September 30, 2014 and December 31, 2013, the Company does not have any significant uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Stock-Based Compensation

The Company accounts for its stock-based compensation awards in accordance with FASB ASC Topic 718, *Compensation—Stock Compensation* (ASC 718). ASC 718 requires all stock-based payments to employees, including grants of employee stock options and restricted stock and modifications to existing stock awards, to be recognized in the statements of operations and comprehensive loss based on their fair values. The Company accounts for stock-based awards to non-employees in accordance with FASB ASC Topic 505-50, *Equity-Based Payments to Non-Employees* (ASC 505-50), which requires the fair value of the award to be re-measured at fair value until a performance commitment is reached or counterparty performance is complete. The Company's stock-based awards are comprised of stock options, shares of restricted stock and shares of common stock. The Company estimates the fair value of options granted using the Black-Scholes option pricing model. The Company uses the value of its common stock to determine the fair value of restricted stock awards and common stock awards.

The Black-Scholes option pricing model requires the input of certain subjective assumptions, including (a) the expected stock price volatility, (b) the calculation of expected term of the award, (c) the risk-free interest rate and (d) expected dividends. Prior to the IPO, due to the lack of a public market for the trading of the Company's common stock and a lack of company-specific historical and implied volatility data, the Company has based its estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility is calculated based on a period of time commensurate with the expected term assumption. The computation of expected volatility is based on the historical volatility of a representative group of companies with similar characteristics to the Company, including stage of product development and life science industry focus. The Company is in a very early stage of product development with no revenue and the representative group of companies has certain similar characteristics to the Company. The Company believes the group selected has sufficient similar economic and industry characteristics, and includes companies that are most representative of the Company. The Company uses the simplified method as prescribed by the SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term for options granted to employees as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The expected term is applied to the stock option grant group as a whole, as the Company does not expect substantially different exercise or post-vesting termination behavior among its employee population. For options granted to non-employees, the Company utilizes the contractual term of the arrangement as the basis for the expected term assumption. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock, which is similar to the Company's peer group.

The Company's stock-based awards are subject to either service- or performance-based vesting conditions. Compensation expense related to awards to employees with service-based vesting conditions is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Consistent with the guidance in ASC 505-50, compensation expense related to awards to non-employees with service-based vesting conditions is recognized on a straight-line basis based on the then-current fair value at each financial reporting date prior to the measurement date over the associated service period of the award, which is generally the vesting term. Compensation expense related to awards to employees with performance-based vesting conditions is recognized based on the grant date fair value over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable. Consistent with the guidance in ASC 505-50, compensation expense related to awards to non-employees with performance-based vesting conditions is recognized based on the then-current fair value at each financial reporting date prior to the measurement date over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable.

The Company is also required to estimate forfeitures at the time of grant, and revise those estimates in the subsequent periods if actual forfeitures differ from its estimates. The Company uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from the Company's estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised. Stock-based compensation expense recognized in the financial statements is based on awards that are ultimately expected to vest.

Fair Value of Financial Instruments

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments, and is not a measure of the investment credit quality. The three levels of the fair value hierarchy are described below:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in markets that are not active, or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations that require inputs that reflect the Company's own assumptions that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Items measured at fair value on a recurring basis include short-term investments (see Note 5). The carrying amounts of accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values due to their short-term maturities. The rate implicit within the Company's capital lease obligation approximates market interest rates.

Concentrations of Credit Risk and Off-Balance Sheet Risk

Cash, investments and accounts receivable are the only financial instruments that potentially subject the Company to concentrations of credit risk. At September 30, 2014 and December 31, 2013, all of the Company's cash was deposited in accounts at two principal financial institutions. The Company maintains its cash with high quality, accredited financial institutions and, accordingly, such funds are subject to minimal credit risk. The Company has no significant off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts or other hedging arrangements.

Net Loss per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average shares outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is calculated by adjusting weighted-average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, preferred stock, stock options and unvested restricted stock are considered to be common stock equivalents, but have been excluded from the calculation of diluted net loss per share, as their effect would be anti-dilutive for all periods presented. Therefore, basic and diluted net loss per share were the same for all periods presented.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Assets under capital lease are included in property and equipment. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, generally three to seven years. Such costs are periodically reviewed for recoverability when impairment indicators are present. Such indicators include, among other factors, operating losses, unused capacity, market value declines and technological obsolescence. Recorded values of asset groups of equipment that are not expected to be recovered through undiscounted future net cash flows are written down to current fair value, which generally is determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale).

The following is the summary of property and equipment and related accumulated depreciation as of September 30, 2014 and December 31, 2013.

	Useful Life	September 30, 2014	December 31, 2013
Computer equipment and software	3	\$ 82,916	\$ 19,732
Furniture and fixtures	5	117,657	—
Equipment	7	6,195	—
	Shorter of the useful life or remaining lease term		
Leasehold improvements	(3 years)	20,777	—
Office equipment under capital lease	3	11,916	11,916
		239,461	31,648
Less accumulated depreciation		(34,567)	(1,282)
Net property and equipment		<u>\$ 204,894</u>	<u>\$ 30,366</u>

Depreciation expense, including expense associated with assets under capital leases, was \$13,193 and \$26 for the three months ended September 30, 2014 and 2013, respectively and \$33,285 and \$26 for the nine months ended September 30, 2014 and 2013, respectively.

3. Distribution of Aerpio Therapeutics, Inc.

On December 22, 2011, the Company assigned certain assets and liabilities to a wholly-owned subsidiary, Aerpio Therapeutics, Inc. (Aerpio), which has since operated as an independent, stand-alone company and is no longer a wholly-owned subsidiary. The assigned assets and liabilities included all of the Company's fixed assets, the Company's Tie2 activator program, AKB-9778, for diabetic macular edema, the HIF-1 stabilizer program, AKB-4924, for inflammatory bowel disease and contracts, intellectual property, current assets and current liabilities associated with these programs. The Aerpio shares were then distributed to the Company's shareholders as a distribution on the basis of one share of Aerpio Series A Preferred Stock for every 35 shares of Akebia Series A Preferred Stock owned, one share of Aerpio Series A Preferred Stock for every 100 shares of Akebia Series B Preferred Stock owned, and one share of Aerpio Common Stock for every 175 shares of Akebia Common Stock owned.

Under the terms of administrative services agreements, the Company and Aerpio obtain from and provide to each other certain services beginning in 2012, and as outlined below. These agreements are cancellable upon mutual agreement or a sale of either company.

Below is a summary of the activities included in the statements of operations and comprehensive loss:

Activity	Financial Statement Caption	Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	2013	2014	2013
Reimbursement from Aerpio for Akebia employee costs	Reimbursements from Aerpio	\$ 180,132	\$ 238,107	\$ 544,471	\$ 815,704
Facility-related charges from Aerpio	General and administrative Operating expenses	\$ 10,914	\$ 2,601	\$ 58,250	\$ 186,518

Below is a summary of the receivables and payables included in the balance sheets related to Aerpio:

Activity	Financial Statement Caption	September 30, 2014	December 31, 2013
Amounts receivable from Aerpio	Accounts receivables	\$ 57,245	\$ 135,339
Amounts payable to Aerpio	Accounts payable	\$ 7,656	\$ 62,735

4. Available for sale securities

Available for sale securities at September 30, 2014 and December 31, 2013 consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2014				
Cash and cash equivalents:				
Cash and money market account	\$ 49,667,984	—	—	\$ 49,667,984
Total cash and cash equivalents	\$ 49,667,984	\$ —	\$ —	\$ 49,667,984
Available for sale securities:				
Certificates of deposit	\$ 10,014,977	—	—	\$ 10,014,977
U.S. Government debt securities	31,741,636	3,299	(25,976)	31,718,959
Commercial paper	4,997,360	—	—	4,997,360
Corporate debt securities	21,967,553	—	(28,580)	21,938,973
Total available for sale securities	\$ 68,721,526	\$ 3,299	\$ (54,556)	\$ 68,670,269
Total cash, cash equivalents, and available for sale securities	\$ 118,389,510	\$ 3,299	\$ (54,556)	\$ 118,338,253

The estimated fair value of the Company's available for sale securities balance at September 30, 2014, by contractual maturity, is as follows:

Due in one year or less	\$ 27,333,292
Due after one year	41,336,977
Total available for sale securities	\$ 68,670,269

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2013				
Cash and cash equivalents:				
Cash and money market account	\$ 21,215,228	\$ —	\$ —	\$ 21,215,228
Total cash and cash equivalents	\$ 21,215,228	\$ —	\$ —	\$ 21,215,228
Available for sale securities:				
Certificates of deposit	\$ 1,330,132	\$ —	\$ —	\$ 1,330,132
U.S. Government debt securities	7,506,951	2,418	—	7,509,369
Corporate debt securities	2,501,686	54	—	2,501,740
Total available for sale securities	\$ 11,338,769	\$ 2,472	\$ —	\$ 11,341,241
Total cash, cash equivalents, and available for sale securities	\$ 32,553,997	\$ 2,472	\$ —	\$ 32,556,469

5. Fair Value of Financial Instruments

The Company utilizes a portfolio management company for the valuation of the majority of its investments. This company is an independent, third-party vendor recognized to be an industry leader with access to market information that obtains or computes fair market values from quoted market prices, pricing for similar securities, recently executed transactions, cash flow models with yield curves and other pricing models. For valuations obtained from the pricing service, the Company performs due diligence to understand how the valuation was calculated or derived, focusing on the valuation technique used and the nature of the inputs.

Based on the fair value hierarchy, the Company classifies its cash equivalents and marketable securities within Level 1 or Level 2. This is because the Company values its cash equivalents and marketable securities using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

Assets measured or disclosed at fair value on a recurring basis as of September 30, 2014 are summarized below:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$ 49,667,984	\$ —	\$ —	\$ 49,667,984
Certificates of deposit	—	10,014,977	—	\$ 10,014,977
U.S. Government debt securities	—	31,718,959	—	\$ 31,718,959
Commercial paper	—	4,997,360	—	\$ 4,997,360
Corporate debt securities	—	21,938,973	—	\$ 21,938,973
	<u>\$ 49,667,984</u>	<u>\$ 68,670,269</u>	<u>\$ —</u>	<u>\$ 118,338,253</u>

The Company's corporate debt securities are all investment grade.

Assets measured or disclosed at fair value on a recurring basis as of December 31, 2013 are summarized below:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$ 21,215,228	\$ —	\$ —	\$ 21,215,228
Certificates of deposit	—	1,330,132	—	1,330,132
U.S. Government debt securities	—	7,509,369	—	7,509,369
Corporate debt securities	—	2,501,740	—	2,501,740
	<u>\$ 21,215,228</u>	<u>\$ 11,341,241</u>	<u>\$ —</u>	<u>\$ 32,556,469</u>

The Company had no assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at September 30, 2014 and December 31, 2013.

Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments.

6. Accrued Expenses

Accrued expenses are as follows:

	September 30, 2014	December 31, 2013
Professional fees	\$ 1,887,471	\$ 2,452,067
Accrued bonus	626,342	439,435
Accrued vacation	179,219	109,921
Accrued severance	180,214	—
Accrued payroll	313,641	—
Other	303,400	186,338
Total accrued expenses	<u>\$ 3,490,287</u>	<u>\$ 3,187,761</u>

In February 2014, the Company entered into a separation agreement with an employee primarily as a result of the transition to the Company's Cambridge, Massachusetts location. During the first quarter of 2014, the Company recorded severance expense in the amount of \$323,685, which was recorded to general and administrative expense. During the first nine months of 2014, approximately \$189,000 was paid out of the severance accrual. At September 30, 2014, \$133,532 remained in accrued expenses in relation to the unpaid severance costs, which will be paid out through February 2015.

In August 2014, the Company entered into a separation agreement with an employee, which became effective on August 13, 2014. The Company will record the expense and liability associated with the separation agreement ratably over the period from August 5, 2014 through December 31, 2015 because the severance payments are subject to continued service and forfeiture until December 31, 2015. During the third quarter of 2014, the Company recorded severance expense in the amount of \$46,682, which was recorded to research and development expense and will be paid out beginning January 2015 through December 2015.

7. Stockholders' Equity

As of September 30, 2014, the authorized capital stock of the Company included 175,000,000 shares of common stock, par value \$0.00001 per share and 25,000,000 shares of undesignated preferred stock, par value \$0.00001 per share.

On March 6, 2014, the Company effected a 1.75-for-1 stock split of its outstanding common stock. Unless otherwise indicated, all share data and per share amounts in these financial statements have been retroactively adjusted to reflect the stock split, as well as any stock splits that occurred in periods prior to March 6, 2014.

As of December 31, 2013, the authorized capital stock of the Company included 5,500,636 shares of preferred stock, par value \$0.00001 per share, of which: (i) 734,538 shares were designated as Series A redeemable convertible preferred stock (Series A Redeemable Convertible Preferred Stock), (ii) 1,287,525 shares were designated as Series B redeemable convertible preferred stock (Series B Redeemable Convertible Preferred Stock), (iii) 3,428,572 shares were designated as Series C redeemable convertible preferred stock (Series C Redeemable Convertible Preferred Stock) and (iv) 50,001 shares were designated as Series X convertible preferred stock (Series X Convertible Preferred Stock). There is no outstanding Series X Convertible Preferred Stock as of December 31, 2013. The Series A Redeemable Convertible Preferred Stock, the Series B Redeemable Convertible Preferred Stock and the Series C Redeemable Convertible Preferred Stock are collectively referred to as the Redeemable Convertible Preferred Stock.

Upon the closing of the IPO on March 25, 2014, all of the outstanding shares of the Company's redeemable convertible preferred stock were converted into 12,115,183 shares of its common stock. As of September 30, 2014, the Company does not have any redeemable convertible preferred stock issued or outstanding.

Reserved for Future Issuance

As of September 30, 2014 and December 31, 2013 based on the authorized shares for each series, the Company has reserved the following shares of common stock for future issuance:

	September 30, 2014	December 31, 2013
Conversion of Series A Redeemable Convertible Preferred Stock	—	3,672,673
Conversion of Series B Redeemable Convertible Preferred Stock	—	2,253,157
Conversion of Series C Redeemable Convertible Preferred Stock	—	6,296,451
Options to purchase common stock	1,596,538	1,251,398
Shares available for future issuance	1,555,254	155,108
Total	<u>3,151,792</u>	<u>13,628,787</u>

8. Income Taxes

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax basis of assets and liabilities using statutory rates. A valuation allowance is recorded against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. There were no significant income tax provisions or benefits for the three and nine months ended September 30, 2014 and 2013. Due to the uncertainty surrounding the realization of the favorable tax attributes in future tax returns, the Company has recorded a full valuation allowance against the Company's otherwise recognizable net deferred tax assets.

9. Commitments and Contingencies

In December 2013, the Company entered into a three-year lease for 6,837 square feet of office space in Cambridge, Massachusetts. The lease has monthly lease payments of approximately \$31,000 for the first twelve months, with annual rent escalation thereafter, and provides a rent abatement of approximately \$31,000 for the first full calendar month of the lease term. The lease term commenced and rental payments began in January 2014. The Company has recorded a deferred lease obligation in 2014 which represents the cumulative difference between actual facility lease payments and lease expense recognized ratably over the lease period, which is included in other liabilities. In accordance with the lease, the Company entered into a cash-collateralized irrevocable standby letter of credit in the amount of \$125,345, naming the landlord as beneficiary. The Company did not have rent expense associated with this lease in 2013.

The Company leases office equipment under a three year capital lease with payments commencing in February 2014.

At September 30, 2014, the Company's future minimum payments required under these leases are as follows:

	Operating Lease	Capital Lease	Total
2014	\$ 94,009	\$ 1,050	\$ 95,059
2015	382,872	4,200	387,072
2016	389,709	4,200	\$ 393,909
2017	—	350	350
Total	<u>\$ 866,590</u>	<u>9,800</u>	<u>\$ 876,390</u>
Less amount representing interest		(467)	
Present value of minimum lease payments at September 30, 2014		<u>\$ 9,333</u>	

The Company contracts with various organizations to conduct research and development activities with remaining contract costs to the Company of approximately \$6,628,384 and \$4,477,081 at September 30, 2014 and December 31, 2013, respectively. The scope of the services under the research and development contracts can be modified and the contracts cancelled by the Company upon written notice. In some instances the contracts may be cancelled by the third party upon written notice.

10. Stock-Based Compensation

On February 28, 2014, the Company's Board of Directors adopted its 2014 Incentive Plan (2014 Plan), which was subsequently approved by its stockholders and became effective upon the closing of the Company's IPO on March 25, 2014. The 2014 Plan replaces the 2008 Equity Incentive Plan (2008 Plan).

The 2014 Plan allows for the granting of stock options, stock appreciation rights, or SARs, restricted stock, unrestricted stock, stock units, performance awards and other awards convertible into or otherwise based on shares of our common stock. Dividend equivalents may also be provided in connection with an award under the 2014 Plan. The Company's employees, officers, directors and consultants and advisors are eligible to receive awards under the 2014 Plan. The Company initially reserved 1,785,000 shares of its common stock for the issuance of awards under the 2014 Plan. The 2014 Plan provides that the number of shares reserved and available for issuance under the 2014 Plan will automatically increase annually on January 1st of each calendar year, by an amount equal to three percent (3%) of the number of shares of stock outstanding on a fully diluted basis as of the close of business on the immediately preceding December 31st. The Company's Board of Directors may act prior to January 1st of any year to provide that there will be no automatic increase in the number of shares available for grant under the 2014 Plan for that year (or that the increase will be less than the amount that would otherwise have automatically been made). Subject to adjustment, no more than 1,980,890 shares of our common stock may be delivered in satisfaction of incentive stock options awarded under the 2014 Plan.

Any options or awards outstanding under the 2008 Plan at the time of adoption of the 2014 Plan remain outstanding and effective. As of September 30, 2014, the total number of common shares that may be issued under all equity award plans is 3,151,792 and approximately 1,555,254 shares remain available for future grants.

During the first nine months of 2014, the Company granted 398,189 stock options to employees, 77,525 stock options to a director and 56,000 shares of restricted stock to a former employee.

Stock Options

The options granted to directors and non-employees vest over periods of between 12 and 48 months. For employees with less than one year's worth of service, options vest in installments of (i) 25% at the one year anniversary and (ii) in either 36 equal monthly or 12 equal quarterly installments beginning in the thirteenth month after the initial Vesting Commencement Date (as defined) or grant date, subject to the employee's continuous service with the Company. Options granted to other employees vest in 48 equal monthly installments after the initial Vesting Commencement Date (as defined) or grant date, subject to the employee's continuous service with the Company. Options generally expire ten years after the date of grant.

Restricted Stock

On December 23, 2013, the Company issued 450,224 shares of restricted stock to employees and 79,067 shares of restricted stock to non-employees at a grant date fair value of \$7.42 per share. The awards of restricted stock contain a performance condition wherein vesting is contingent upon the Company's consummation of a liquidity event, as defined, prior to the fifth anniversary of the date of grant. Certain of the awards of restricted stock have a requisite service period that was complete upon grant. The remainder of the awards of restricted stock have a requisite service period of four years whereby the award vests 25% on the one year anniversary of the Vesting Commencement Date (as defined), then ratably on the first day of each calendar quarter for 12 quarters, subject to continuous service by the individual and achievement of the performance target. Due to the nature of the performance condition,

recognition of compensation cost had been deferred until the occurrence of a liquidity event, as defined. The liquidity event occurred upon the closing of the IPO on March 25, 2014.

Compensation Expense Summary

The Company has recognized the following compensation cost related to share-based awards:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Research and development	\$ 582,900	\$ 24,222	\$ 2,489,049	\$ 63,684
General and administrative	651,856	306,037	2,634,515	374,368
Total	\$ 1,234,756	\$ 330,259	\$ 5,123,564	\$ 438,052

Compensation expense by type of award:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Stock options	\$ 554,031	\$ 17,542	\$ 1,329,715	\$ 38,167
Restricted stock	680,725	312,717	3,793,849	399,885
Total	\$ 1,234,756	\$ 330,259	\$ 5,123,564	\$ 438,052

Included in the compensation expense for the nine months ended September 30, 2014, is approximately \$1.0 million related to the modification of awards in connection with an employee separation agreement in the first quarter of 2014.

11. Employee Retirement Plan

During 2008, the Company established a retirement plan (the Plan) authorized by Section 401(k) of the Internal Revenue Code. In accordance with the Plan, all employees who have attained the age of 21 are eligible to participate in the Plan as of the first Entry Date, as defined, following their date of employment. Each employee can contribute a percentage of compensation up to a maximum of the statutory limits per year. Company contributions are discretionary, and no contributions were made during the nine months ended September 30, 2014 or 2013.

12. Net Loss per Share

The following table presents the calculation of basic and diluted net loss per share applicable to common stockholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator:				
Net loss	\$ (9,348,391)	\$ (3,767,890)	\$ (26,663,829)	\$ (7,219,236)
Accretion on preferred stock	—	(2,748,232)	(86,899,555)	(52,861,367)
Net loss applicable to common stockholders	\$ (9,348,391)	\$ (6,516,122)	\$ (113,563,384)	\$ (60,080,603)
Denominator:				
Weighted-average number of common shares – basic and diluted	19,691,167	546,714	13,920,651	509,425
Net loss per share applicable to common stockholders – basic and diluted	\$ (0.47)	\$ (11.92)	\$ (8.16)	\$ (117.94)

The amounts in the table below were excluded from the calculation of diluted net loss per share, prior to the use of the treasury stock method, due to their anti-dilutive effect:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Preferred stock	—	11,882,768	—	11,882,768
Outstanding stock options	1,596,538	1,229,594	1,596,538	1,229,594
Unvested restricted stock	563,810	110,521	563,810	110,521
Total	<u>2,160,348</u>	<u>13,222,883</u>	<u>2,160,348</u>	<u>13,222,883</u>

13. Accumulated Other Comprehensive Loss

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive loss, net of tax:

	Unrealized Loss on	
	Investments	Total
Balance at December 31, 2013	\$ —	\$ —
Other comprehensive loss before reclassifications	(51,257)	(51,257)
Net current-period other comprehensive loss	(51,257)	(51,257)
Balance at September 30, 2014	<u>\$ (51,257)</u>	<u>\$ (51,257)</u>

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

The following information should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and the audited financial information and the notes thereto included in the prospectus that was filed with the SEC on March 21, 2014.

This report contains forward-looking statements that are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the PSLRA) with the intention of obtaining the benefits of the "safe harbor" provisions of the PSLRA. Forward-looking statements involve risks and uncertainties. In this Quarterly Report on Form 10-Q, words such as "may," "will," "expect," "anticipate," "estimate," "intend," and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements.

Our actual results and the timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution our readers that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those expressed or implied by the forward-looking statements contained in this Quarterly Report on Form 10-Q.

The following information, including all forward-looking statements, should be considered in light of factors discussed elsewhere in this Quarterly Report on Form 10-Q, including those risks identified under Part II, Item 1A. Risk Factors.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Overview

We are a biopharmaceutical company focused on delivering innovative therapies to patients with kidney disease through the biology of hypoxia inducible factor, or HIF. HIF is the primary regulator of the production of red blood cells, or RBCs, in the body and potentially a novel mechanism of treating anemia. Our lead product candidate, AKB-6548, is being developed as a once-daily, oral therapy that has successfully completed a Phase 2b study demonstrating that AKB-6548 can safely and predictably raise hemoglobin levels in non-dialysis patients with anemia related to chronic kidney disease, or CKD.

On October 27, 2014, we announced positive top-line results from our Phase 2b study of AKB-6548 in non-dialysis patients with anemia related to CKD, and we expect complete efficacy and safety data to be presented in the first half of 2015. We expect to initiate Phase 3 studies for anemia secondary to CKD in 2015 and would anticipate submitting an NDA for AKB-6548 in the United States by 2018, if the Phase 3 data are favorable. We have also initiated Phase 2 clinical development for AKB-6548 for the treatment of anemia in patients undergoing dialysis, the second indication we will pursue. The results from that study are expected in the third quarter of 2015. We will also enter into discussions with European regulatory authorities in the first quarter of 2015, with the goal of potentially also submitting European marketing application(s). Also in the third quarter of 2014, we completed a thorough QT (TQT) study, demonstrating that AKB-6548 does not have an adverse effect on cardiac repolarization or conduction (i.e., negative TQT study).

Our preclinical candidate, AKB-6899, is a small molecule with minor structural differences from our lead compound AKB-6548. However, AKB-6899 has distinctive biochemical and physiological properties that may be beneficial for treatment of certain cancers. In several preclinical mouse models, AKB-6899 has been active in reducing tumor growth and development of metastases. Therefore, Investigational New Drug, or IND, enabling studies are being performed with the goal of filing an IND and having it approved by the U.S. Food and Drug Administration (FDA) in 2015.

We own global rights to our HIF-based product candidates, including AKB-6548. If approved by regulatory authorities, we plan to commercialize AKB-6548 in the United States ourselves and intend to seek one or more collaborators to commercialize the product candidate in additional markets.

Since our inception in 2007, we have devoted the largest portion of our resources to our development efforts relating to AKB-6548, including preparing for and conducting clinical studies of AKB-6548, providing general and administrative support for these operations and protecting our intellectual property. We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations primarily through our IPO and the private placement of preferred stock, common stock and convertible notes.

In December 2011, we distributed our programs focused on the treatment of diabetic eye disease and inflammatory bowel disease into Aerpio, which has since operated as a stand-alone company. We currently have administrative services agreements with Aerpio under which we obtain from, and provide to, Aerpio certain services including consulting services and use of premises.

We have never been profitable and have incurred net losses in each year since inception. Our net losses were \$26.7 million and \$7.2 million for the nine months ended September 30, 2014 and 2013, respectively. Substantially all of our net losses resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

We expect to continue to incur significant expenses and increased operating losses for at least the next several years. We expect our expenses will increase substantially in connection with our ongoing activities, as we:

- continue our clinical development for AKB-6548 for the treatment of anemia in patients undergoing dialysis;
- prepare for a potential global Phase 3 development program of AKB-6548 for the treatment of anemia secondary to CKD;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- have our product candidates manufactured for clinical trials and for commercial sale;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- continue preclinical and clinical development for AKB-6899;
- initiate additional preclinical, clinical or other studies for additional indications for AKB-6548, AKB-6899 and other product candidates that we may develop or acquire;
- seek to discover and develop additional product candidates;
- acquire or in-license other commercial products, product candidates and technologies;
- make royalty, milestone or other payments under any future in-license agreements;
- maintain, protect and expand our intellectual property portfolio;
- attract and retain skilled personnel; and
- create additional infrastructure to support our operations as a public company.

We do not expect to generate revenue from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years and is subject to significant uncertainty. We have no manufacturing facilities, and all of our manufacturing activities are contracted out to third parties. Additionally, we currently utilize third-party clinical research organizations, or CROs, to carry out our clinical development activities, and we do not yet have a sales organization. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will seek to fund our operations through public or private equity or debt financings or other sources. However, we may be unable to raise additional funds or enter into other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and our ability to develop our products.

On March 6, 2014, we effected a 1.75-for-1 stock split of our outstanding common stock. Our historical share and per share information have been retroactively adjusted to give effect to this stock split. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately increased and the respective exercise prices, if applicable, were proportionately reduced in accordance with the terms of the agreements governing such securities. Shares of common stock reserved for issuance upon the conversion of our Series A Redeemable Convertible Preferred Stock, Series B Redeemable Convertible Preferred Stock and Series C Redeemable Convertible Preferred Stock were proportionately increased, and the respective conversion prices were proportionately reduced.

On March 25, 2014, we completed our IPO whereby we sold 6,762,000 shares of common stock, including 879,647 shares of common stock pursuant to the full exercise of an over-allotment option granted to the underwriters, at a price of \$17.00 per share. The shares began trading on the Nasdaq Global Market on March 20, 2014. The aggregate net proceeds received by us from the offering were \$104,364,560, net of underwriting discounts and commissions and estimated offering expenses. Upon the closing of the IPO, outstanding shares of convertible redeemable preferred stock converted into 12,115,183 shares of common stock. Additionally, we are now authorized to issue 175,000,000 shares of common stock and 25,000,000 shares of preferred stock.

Financial Operations Overview

Revenue

To date, we have not generated any revenue from the sales of products or other means.

Our ability to generate product revenue and become profitable depends upon our ability to successfully develop and commercialize products. We expect to incur losses for the foreseeable future, and we expect these losses to increase as we continue our development of, and seek regulatory approvals for, our product candidates and begin to commercialize any approved products. Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate revenue from the sale of our products, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for the development of our product candidates, which include:

- employee-related expenses, including salaries, benefits, travel and stock-based compensation expense;
- expenses incurred under agreements with the CROs and investigative sites that conduct our clinical studies;
- the cost of acquiring, developing and manufacturing clinical study materials;
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies; and
- costs associated with preclinical and clinical activities.

Research and development costs are expensed as incurred. Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and our clinical sites.

We cannot determine with certainty the duration and completion costs of the current or future clinical studies of our product candidates or if, when, or to what extent we will generate revenue from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our product candidates.

The duration, costs and timing of clinical studies and development of our product candidates will depend on a variety of factors, including:

- the rate of progress of, results of and cost of completing our Phase 2 clinical development for AKB-6548 for the treatment of anemia in patients undergoing dialysis;
- assuming AKB-6548 advances to Phase 3, the scope, size, rate of progress, results and costs of initiating and completing our Phase 3 development program of AKB-6548;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical studies for AKB-6899 and any other product candidates that we may develop or acquire;
- the cost of having our product candidates manufactured for clinical trials;
- difficulties or delays in enrolling patients in our clinical trials;
- unanticipated changes to laws or regulations applicable to our clinical trials; and
- the timing of, and the costs involved in, obtaining regulatory approvals for AKB-6548 and any other product candidates, if clinical trials are successful.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA, EMA or another regulatory authority were to require us to conduct clinical studies beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical studies, we could be required to expend significant additional financial resources and time on the completion of clinical development.

From inception through September 30, 2014, we have incurred \$70.1 million in research and development expenses. We plan to increase our research and development expenses for the foreseeable future as we continue the development of AKB-6548 and AKB-6899. Our current and planned research and development activities include the following:

- We have completed a Phase 2b study during 2014 to examine the safety and efficacy of AKB-6548 in non-dialysis patients with anemia related to CKD, and we will prepare the data for presentation in 2015 at a scientific meeting.
- We plan to initiate a Phase 3 development program for AKB-6548 in 2015 for anemia secondary to CKD in patients not on dialysis.

- We have begun Phase 2 clinical development for AKB-6548 for the treatment of anemia in patients undergoing dialysis, the second indication we will pursue. The results from that study are expected in the third quarter of 2015.
- We intend to conduct a Phase 2 clinical study of AKB-6548 in idiopathic anemia of aging, or IAA.
- We intend to file an IND and begin Phase 1 studies for AKB-6899.

Our direct research and development expenses consist principally of external costs, such as startup fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical studies, and costs related to acquiring and manufacturing clinical study materials.

We currently have two programs to which our research and development costs are attributable. Historically, we have not accumulated and tracked our research and development costs or our personnel and personnel-related costs on a program-by-program basis. Our employee and infrastructure resources, and many of our costs, were directed to broadly applicable research endeavors. As a result, we are unable to specify precisely the historical costs incurred for each of our programs on a program-by-program basis.

General and Administrative Expenses

We obtain from, and provide to, Aerpio services under the terms of administrative services agreements between the two companies. See “Certain Relationships and Related Party Transactions.” General and administrative expenses consist primarily of salaries and related costs for personnel, including stock-based compensation and travel expenses for our employees in executive, operational, finance and human resource functions. Other general and administrative expenses include facility-related costs, fees for directors, accounting and legal services, recruiting fees and expenses associated with obtaining and maintaining patents.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research and development and potential commercialization of our product candidates. We also anticipate increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with being a public company. Additionally, we anticipate an increase in payroll and related expenses if and when we prepare for commercial operations, especially in sales and marketing.

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q, we believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements.

Accrued Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We confirm the accuracy of our estimates with the service providers and make adjustments if necessary. Examples of estimated accrued research and development expenses include expenses for:

- CROs in connection with clinical studies;
- investigative sites in connection with clinical studies;
- vendors in connection with preclinical development activities; and
- vendors related to product manufacturing, development and distribution of clinical materials.

We base our expenses related to clinical studies on our estimates of the services received and efforts expended pursuant to contracts with multiple CROs that conduct and manage clinical studies on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. The scope of services under these contracts can be modified and some of the agreements may be cancelled by either party upon written notice. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the clinical expense. Payments under some of these contracts depend on factors such as the successful enrollment of subjects and the completion of clinical study milestones. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed we may report amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates and the amount actually incurred.

Stock-Based Compensation

Stock-Based Awards

We issue stock-based awards to employees and non-employees, generally in the form of stock options, restricted stock and shares of common stock. We account for our stock-based compensation awards in accordance with FASB ASC Topic 718, *Compensation—Stock Compensation*, or ASC 718. ASC 718 requires all stock-based payments to employees, including grants of employee stock options and restricted stock and modifications to existing stock awards, to be recognized in the statements of operations and comprehensive loss based on their fair values. We account for stock-based awards to non-employees in accordance with FASB ASC Topic 505-50, *Equity-Based-Payments to Non-Employees*, or ASC 505-50, which requires the fair value of the award to be re-measured at fair value until a performance commitment is reached or counterparty performance is complete. Described below is the methodology we have utilized in measuring stock-based compensation expense. Following the consummation of our IPO, stock option, common stock and restricted stock values are determined based on the quoted market price of our common stock.

We estimate the fair value of our stock-based awards of options to purchase shares of common stock to employees and non-employees using the Black-Scholes option pricing model, which requires the input of highly subjective assumptions, including (a) the expected stock price volatility, (b) the calculation of the expected term of the award, (c) the risk-free interest rate and (d) expected dividends. Due to the lack of a public market for the trading of our common stock and a lack of company-specific historical and implied volatility data, we have based our estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility is calculated based on a period of time commensurate with the expected term assumption. The computation of expected volatility is based on the historical volatility of a representative group of companies with similar characteristics to our company, including stage of product development and life science industry focus. We are a company in a very early stage of product development with no revenue and the representative group of companies has certain similar characteristics. We believe the group selected has sufficient similar economic and industry characteristics, and includes companies that are most representative of our company. We use the simplified method as prescribed by the SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term for options granted to employees as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The expected term is applied to the stock option grant group as a whole, as we do not expect substantially different exercise or post-vesting termination behavior among our employee population. For options granted to non-employees, we utilize the contractual term of the arrangement as the basis for the expected term assumption. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The expected dividend yield is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock, similar to our peer group. We estimate grant date fair value of restricted stock awards with corresponding promissory notes using the Black-Scholes option pricing model. Post IPO, the grant date fair value of restricted stock award grants without a promissory note and awards of common stock has been based on the estimated value of our common stock at the date of grant.

Our stock-based awards are subject to either service or performance-based vesting conditions. Compensation expense related to awards to employees with service-based vesting conditions is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Consistent with the guidance in ASC 505-50, compensation expense related to awards to non-employees with service-based vesting conditions is recognized on a straight-line basis based on the then-current fair value at each financial reporting date prior to the measurement date over the associated service period of the award, which is generally the vesting term. Compensation expense related to awards to employees with performance-based vesting conditions is recognized based on the grant date fair value over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable. Consistent with the guidance in ASC 505-50, compensation expense related to awards to non-employees with performance-based vesting conditions is recognized based on the then-current fair value at each financial reporting date prior to the measurement date over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable.

We are also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from our estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised. Stock-based compensation expense recognized in the financial statements is based on awards that are ultimately expected to vest.

In September 2011, certain of our employees purchased shares of our restricted stock in exchange for promissory notes. Although these notes are 50% recourse to the employees, we have accounted for the promissory notes as nonrecourse in their entirety since the promissory notes are not aligned with a corresponding percentage of the underlying shares. Accordingly, we have accounted for the combination of the promissory note and restricted stock as a grant of an option, as the substance is similar to the grant of an option. The exercise price of this stock option is the principal and interest due on the promissory note. The fair value of the stock option is recognized over the requisite service period (not the term of the promissory note) through a charge to compensation cost. The maturity date of the promissory notes reflects the legal term of the stock option for purposes of valuing the award. The outstanding principal and interest on the promissory notes was paid in full during the third quarter of 2014.

Stock-based compensation totaled approximately \$1.2 million and \$330,000 for the three months ended September 30, 2014 and 2013, respectively, and approximately \$5.1 million and \$438,000 for the nine months ended September 30, 2014 and 2013, respectively.

We expect the impact of our stock-based compensation expense for stock options and restricted stock granted to employees and non-employees to grow in future periods due to the potential increases in the fair value of our common stock and the increase in the number of grants as a result of an increase in headcount.

Emerging Growth Company Status

The JOBS Act permits an “emerging growth company” to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We chose to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

Results of Operations

Comparison of the Three Months Ended September 30, 2014 and 2013

	Three Months Ended September 30,		Increase (Decrease)
	2014	2013	
	<i>(In Thousands)</i>		
Expenses:			
Research and development	\$ 6,648	\$ 3,240	\$ 3,408
General and administrative	2,936	794	2,142
Total expenses	9,584	4,034	5,550
Loss from operations	(9,584)	(4,034)	5,550
Other income, net	236	266	(30)
Net loss	\$ (9,348)	\$ (3,768)	\$ (5,580)

Research and Development Expenses. Research and development expenses were \$6.6 million for the three months ended September 30, 2014, compared to \$3.2 million for the three months ended September 30, 2013, an increase of \$3.4 million. The increase was primarily due to an increase in costs related to AKB-6548, including, costs of approximately \$1.2 million related to Phase 2 clinical development of AKB-6548, \$0.5 million for the manufacture of drug substance and drug product and \$0.4 million in other clinical costs. Research and development expenses were further increased by \$0.1 million of patent costs, \$0.4 million of stock compensation costs, \$0.5 million of wage and personnel-related costs due to increased headcount, as well as \$0.3 million of drug development costs for AKB-6899.

General and Administrative Expenses. General and administrative expenses were \$2.9 million for the three months ended September 30, 2014, compared to \$0.8 million for the three months ended September 30, 2013. The increase of \$2.1 million was primarily due to the following expense increases: \$0.5 million of stock-based compensation, \$0.2 million of professional fees, \$0.5 million of wage and personnel-related costs due to increased headcount, \$0.2 million of insurance related costs, \$0.1 million of facility costs and an increase of approximately \$0.3 million in commercial planning costs.

Other Income, Net. Other income, net, was \$0.2 million for the three months ended September 30, 2014, compared to \$0.3 million for the three months ended September 30, 2013. Other income, net for both the three months ended September 30, 2014 and the three months ended September 30, 2013, is primarily related to reimbursements from Aerpio for employee-related costs. Under the terms of the administrative services agreements entered into upon disposition of Aerpio in 2011, we and Aerpio obtain from, and provide to, each other certain services.

Comparison of the Nine Months Ended September 30, 2014 and 2013

	Nine Months Ended		Increase (Decrease)
	September 30,		
	2014	2013	
	<i>(In Thousands)</i>		
Expenses:			
Research and development	\$ 18,330	\$ 7,591	\$ 10,739
General and administrative	9,003	2,141	6,862
Total expenses	27,333	9,732	17,601
Loss from operations	(27,333)	(9,732)	17,601
Other income, net	669	2,513	(1,844)
Net loss	\$ (26,664)	\$ (7,219)	\$ (19,445)

Research and Development Expenses. Research and development expenses were \$18.3 million for the nine months ended September 30, 2014, compared to \$7.6 million for the nine months ended September 30, 2013, an increase of \$10.7 million. The increase was primarily due to an increase in costs related to AKB-6548, including, Phase 2b study costs of approximately \$1.6 million due to ongoing enrollment through April 2014, \$1.6 million related to Phase 2 clinical development of AKB-6548 and \$2.7 million related to a thorough QT (TQT) study and other clinical and non-clinical costs as well as costs for manufacturing drug substance and drug product. Research and development expenses were further increased by \$0.7 million of patent costs, \$1.2 million of wage and personnel-related costs due to increased headcount, \$2.3 million of stock-based compensation costs and approximately \$0.3 million of drug development costs for AKB-6899.

General and Administrative Expenses. General and administrative expenses were \$9.0 million for the nine months ended September 30, 2014, compared to \$2.1 million for the nine months ended September 30, 2013. The increase of \$6.9 million was primarily due to the following expense increases: \$2.4 million of stock-based compensation expense, \$0.7 million of professional fees related to the IPO, \$1.2 million of wage and personnel-related costs due to increased headcount, \$0.4 million of consulting-related costs, \$0.4 million of insurance costs, \$0.3 million of facility costs, \$0.4 million of commercial planning costs, \$0.4 million of severance related costs and \$0.3 million in other costs including recruiting fees and public company-related fees.

Other Income, Net. Other income, net, was \$0.7 million for the nine months ended September 30, 2014, compared to \$2.5 million for the nine months ended September 30, 2013, a decrease of approximately \$1.8 million. Other income, net for the nine months ended September 30, 2014, is primarily related to reimbursements from Aerpio for employee-related costs of approximately \$0.5 million and interest income of approximately \$0.1 million. Other income, net for the nine months ended September 30, 2013 included \$0.8 million in reimbursements from Aerpio for employee-related costs and a \$2.4 million gain on the extinguishment of debt, partially offset by net interest expense of \$0.8 million. The decrease in reimbursements from Aerpio for employee-related costs is principally the result of reduced time spent by our employees on Aerpio related activities. Under the terms of the administrative services agreements entered into upon disposition of Aerpio in 2011, we and Aerpio obtain from and provide to each other certain services.

Liquidity and Capital Resources

We have incurred losses and cumulative negative cash flows from operations since our inception in February 2007, and as of September 30, 2014, we had an accumulated deficit of \$90.3 million. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

We have funded our operations principally from the sale of common stock, preferred stock and convertible notes. As of September 30, 2014, we had cash and cash equivalents of approximately \$49.7 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Accordingly, available for sale securities of \$68.6 million, consisting principally of corporate and government debt securities and stated at fair value, are also available as a source of liquidity.

Cash Flows

The following table sets forth the primary sources and uses of cash for each of the periods set forth below:

	Nine Months Ended	
	September 30,	
	2014	2013
	<i>(In Thousands)</i>	
Net cash provided by (used in):		
Operating activities	\$ (18,280)	\$ (6,424)
Investing activities	(57,715)	(13,160)
Financing activities	104,448	42,546
Net increase in cash and cash equivalents	<u>\$ 28,453</u>	<u>\$ 22,962</u>

Operating Activities. The net cash used in operating activities was \$18.3 million for the nine months ended September 30, 2014 and consisted primarily of a net loss of \$26.7 million adjusted for non-cash items, including stock-based compensation expense of \$5.1 million and a net increase in operating assets and liabilities of \$3.1 million. The significant items in the change in operating assets and liabilities include increases in accounts payable and accrued expenses of \$3.7 million, offset by an increase in prepaid expenses, other current assets and other assets of \$0.6 million. The increase in accounts payable and accrued expenses is primarily driven by clinical, non-clinical and TQT study costs associated with AKB-6548 as well as wage and personnel-related costs due to increased headcount. The increase in prepaid expenses, other current assets and other assets is primarily related to directors and officers insurance.

The net cash used in operating activities was \$6.4 million for the nine months ended September 30, 2013, and consisted primarily of a net loss of \$7.2 million adjusted for non-cash items including gain on extinguishment of debt of \$2.4 million, amortization of debt issue costs and premium/discount on available for sale securities of \$0.8 million, and stock-based compensation of \$0.4 million and a net increase in operating assets and liabilities of \$2.0 million.

Investing Activities. Net cash used in investing activities for the nine months ended September 30, 2014 was \$57.7 million and was comprised primarily of purchases of available for sale securities of \$64.5 million and purchases of equipment of \$0.2 million, offset by proceeds from the maturities of available for sale securities of \$7.0 million. The net cash used in investing activities for the nine months ended September 30, 2013 consisted primarily of purchases of available for sale securities.

Financing Activities. Net cash provided by financing activities for the nine months ended September 30, 2014 was \$104.4 million and consisted primarily of \$104.3 million of net proceeds from the issuance of common stock in connection with our IPO and \$0.2 million of proceeds from the receipt of payment on promissory notes issued in exchange for shares of common stock. Net cash provided by financing activities for the nine months ended September 30, 2013 was \$42.6 million and consisted primarily of \$40.1 million of net proceeds from the issuance of Series C preferred stock and \$2.5 million of net proceeds from the sale of shares of our Series X preferred stock.

Operating Capital Requirements

To date, we have not generated any revenue from product sales. We do not know when, or if, we will generate revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize one of our current or future product candidates. We anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our product candidates, and begin to commercialize any approved products. We are subject to all risks incident to the development and commercialization of novel therapeutics, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We expect to incur additional costs associated with operating as a public company also, we anticipate that we will need substantial additional funding in connection with our continuing operations.

We believe that the net proceeds from our IPO and our existing cash and cash equivalents will be sufficient to fund our projected operating requirements through the first half of 2016. However, we may require additional capital for the further development of our existing product candidates and may also need to raise additional funds sooner to pursue other development activities related to additional product candidates.

If and until we can generate a sufficient amount of revenue from our products, we expect to finance future cash needs through public or private equity or debt offerings. Additional capital may not be available on reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. If we raise additional funds through the issuance of

additional debt or equity securities, it could result in dilution to our existing stockholders or increased fixed payment obligations, and any such securities may have rights senior to those of our common stock. If we incur indebtedness, we could become subject to covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors. We have based this estimate on assumptions that may be substantially different than actual results, and we could utilize our available capital resources sooner than we currently expect. Our future funding requirements, both near- and long-term, will depend on many factors, including, but not limited to:

- the rate of progress of, results of and cost of completing Phase 2 clinical development for AKB-6548 for the treatment of anemia in patients undergoing dialysis;
- other costs for additional clinical studies to support marketing approval;
- our operating costs incurred through our end of Phase 2 meeting with the FDA, and equivalent meetings with the EMA and other regulatory authorities;
- assuming AKB-6548 advances to Phase 3 clinical studies, the scope, size, rate of progress, results and costs of initiating and completing our Phase 3 development program of AKB-6548;
- assuming favorable Phase 3 clinical results, the cost, timing and outcome of our efforts to obtain marketing approval for AKB-6548 in the United States and in other jurisdictions, including to fund the preparation and filing of regulatory submissions for AKB-6548 with the FDA, the EMA and other regulatory authorities and the guidance provided by and decisions made by such regulatory authorities;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical studies for AKB-6899 and any other product candidates that we may develop or acquire
- the timing of, and the costs involved in, obtaining regulatory approvals for AKB-6899 if clinical studies are successful, and the outcome of regulatory review of AKB-6899;
- the cost and timing of future commercialization activities for our products, if any of our product candidates are approved for marketing, including product manufacturing, marketing, sales and distribution costs;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- the cost of having our product candidates manufactured for clinical trials in preparation for regulatory approval and in preparation for commercialization;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements;
- the costs involved in preparing, filing, prosecuting patent applications, maintaining, defending and enforcing our intellectual property rights, including litigation costs, and the outcome of such litigation and decisions by the United States Patent and Trademark Office, or US PTO, and patent offices of other countries;
- the efforts and activities of competitors and potential competitors;
- the costs associated with legal compliance, including addressing changes in policies and laws adopted by the U.S. and governmental authorities of other countries;
- the timing, receipt, and amount of sales of, or royalties on, our future products, if any;
- the need to implement additional infrastructure and internal systems; and
- the extent to which we acquire or in-license other products or technologies.

If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition and results of operations could be materially adversely affected.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations from those described in our prospectus that was filed with the SEC on March 21, 2014

Off-Balance Sheet Arrangements

As of September 30, 2014 we did not have any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk related to changes in interest rates. As of September 30, 2014 and December 31, 2013, we had cash and cash equivalents and investments of \$118.3 million and \$32.6 million, respectively, primarily money market mutual funds consisting of U.S. government debt securities, certificates of deposit and corporate debt securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term securities. Our investments are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio.

Item 4. Controls and Procedures

Management's Evaluation of our Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of September 30, 2014, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer have concluded based upon the evaluation described above that, as of September 30, 2014, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2014, there have been no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) promulgated under the Securities Exchange Act of 1934, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other

Item 1. Legal Proceedings

In July 2011, a third party filed an opposition to our issued European Patent No. 2044005, or the '005 Patent. During the oral proceedings, which took place on April 10, 2013, the Opposition Division of the European Patent Office maintained the '005 Patent on the basis of the third auxiliary request filed during the oral proceedings. This decision resulted in the maintenance of a claim directed to a compound chosen from a group of eight compounds, including AKB-6548, as well as claims to compositions and methods for treating various diseases, including, but not limited to, anemia. Both parties have appealed the decision of the Opposition Division and final resolution of the opposition proceedings will likely take a number of years. We cannot be assured of the breadth of the claims that will remain in the '005 Patent or that the patent will not be revoked in its entirety.

In June 2013, the European Patent Office granted European Patent No. 1463823, or the '823 patent, to FibroGen, Inc., or FibroGen. The '823 patent claims, among other things, the use of a heterocyclic carboxamide compound selected from the group consisting of pyridine carboxamides, quinoline carboxamides, isoquinoline carboxamides, cinnoline carboxamides, and beta-carboline carboxamides that inhibits HIF-PH enzyme activity in the manufacture of a medicament for increasing endogenous EPO in the prevention, pretreatment or treatment of anemia. On December 5, 2013, we filed an opposition to the '823 patent requesting that the '823 patent be revoked in its entirety. While, for the reasons set forth in our opposition, we believe the '823 patent should be revoked in its entirety, the ultimate outcome of the opposition remains uncertain. If the European Patent Office decides not to revoke the '823 patent in its entirety, or only certain claims of the '823 patent, and any surviving claims are determined to encompass our intended use of our lead product candidate, we may not be able to commercialize our lead product candidate in the European Union for its intended use, which could materially adversely affect our business, operating results and financial condition.

In August 2011, the Japanese Patent Office granted Japanese Patent No. 4804131, or the '131 patent, to FibroGen. The '131 patent claims, among other things, the use of certain heterocyclic carboxamides selected from the group consisting of pyridine carboxamides, quinoline carboxamides, and isoquinoline carboxamides to treat anemia, wherein the heterocyclic carboxamides also suppress HIF prolyl hydroxylase. On June 2, 2014, we filed an invalidity proceeding in the Japanese Patent Office challenging the validity of the '131 patent and requesting that it be revoked in its entirety. While, for the reasons set forth in our Request For Trial filed in that proceeding, we believe the '131 patent should be revoked in its entirety, the ultimate outcome of the invalidity proceeding remains uncertain. If the Japanese Patent Office decides not to revoke the '131 patent in its entirety, or only certain claims of the '131 patent, and any surviving claims are determined to encompass our intended use of our lead product candidate, we may not be able to commercialize our lead product candidate in Japan for its intended use, which could materially adversely affect our business, operating results and financial condition.

Item 1A. Risk Factors

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. Please reference our "Cautionary Note Regarding Forward-Looking Statements," which identifies certain forward-looking statements contained in this report that are qualified by these risk factors. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected.

Risks Related to our Financial Position and Need for Additional Capital

We have incurred significant losses since inception and anticipate that we will continue to incur significant losses for the foreseeable future and may never achieve or maintain profitability.

We have incurred net losses each year since our inception, including net losses of \$26.7 million for the nine months ended September 30, 2014, and \$7.2 million for the nine months ended September 30, 2013. As of September 30, 2014, we had an accumulated deficit of \$90.3 million. To date, we have not commercialized any products or generated any revenue from the sale of products, and we do not expect to generate any product revenue in the foreseeable future. We do not know whether or when we will generate revenue or become profitable.

We have devoted most of our financial resources to research and development, including our clinical and preclinical development activities. To date, we have financed our operations primarily through our IPO and private placements of our preferred stock. The amount of our future net losses will depend, in part, on the rate of our future expenditures, and our financial position will depend, in part, on our ability to obtain funding through equity or debt financings, strategic collaborations or grants. Our lead product candidate, AKB-6548, has recently completed a Phase 2b study, and our other product candidate is in preclinical development. Therefore, we expect that it will be several years, if ever, before we have a product candidate ready for commercialization. Even if we obtain regulatory approval to market AKB-6548, our future revenue will depend upon the size of any markets in which AKB-6548 has received approval, our ability to achieve sufficient market acceptance, the availability and extent of reimbursement from third-party payors and other factors.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase significantly if and as we:

- continue our Phase 2 clinical development of AKB-6548 for the treatment of anemia in patients undergoing dialysis and prepare for a Phase 3 development program of AKB-6548 for the treatment of anemia secondary to CKD in patients not on dialysis;
- seek regulatory approvals for our product candidates that successfully complete clinical studies;
- have our product candidates manufactured for clinical trials and for commercial sale;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- initiate additional preclinical, clinical or other studies for additional indications for AKB-6548, AKB-6899 and other product candidates that we may develop or acquire;
- seek to discover and develop additional product candidates;
- acquire or in-license other commercial products, product candidates and technologies;
- make royalty, milestone or other payments under any future in-license agreements;
- maintain, protect and expand our intellectual property portfolio;
- attract and retain skilled personnel; and
- create additional infrastructure to support our operations as a public company.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, if at all, we will be able to achieve profitability. If we are required by the United States Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or other regulatory authorities to perform studies in addition to or larger than those currently expected, or if there are any delays in completing our clinical trials or the development of any of our product candidates, our expenses could increase.

The net losses we incur may fluctuate significantly from quarter to quarter and year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. In any particular quarter or quarters, our operating results could be below the expectations of securities analysts or investors, which could cause our stock price to decline.

To become and remain profitable, we must succeed in developing and commercializing our product candidates, which must generate significant revenue. This will require us to be successful in a range of challenging activities, including completing preclinical testing and clinical trials of our product candidates, discovering additional product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling any products for which we may obtain regulatory approval. We are only in the preliminary stages of most of these activities. We may never succeed in these activities and, even if we do, may never generate revenue that is significant enough to achieve profitability.

Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable could depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. A decline in the value of our company could cause our shareholders to lose all or part of their investment.

We will require substantial additional financing. A failure to obtain this necessary capital when needed could force us to delay, limit, reduce or terminate our product development or commercialization efforts.

As of September 30, 2014, our cash and cash equivalents and available for sale securities were \$118.3 million. We believe that we will continue to expend substantial resources for the foreseeable future developing AKB-6548, AKB-6899 and any other product candidates that we may develop or acquire. These expenditures will include costs associated with research and development, potentially obtaining regulatory approvals and having our products manufactured, as well as marketing and selling products approved for sale, if any. In addition, other unanticipated costs may arise. Because the outcome of our current and anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates.

Our future capital requirements depend on many factors, including:

- the rate of progress of, results of and cost of completing Phase 2 clinical development of AKB-6548 for the treatment of anemia in patients undergoing dialysis;
- our operating costs incurred through our end of Phase 2 meeting with the FDA, and equivalent meetings with the EMA and other regulatory authorities;
- assuming AKB-6548 advances to Phase 3 clinical studies, the scope, size, rate of progress, results and costs of initiating and completing our Phase 3 development program of AKB-6548;
- assuming favorable Phase 3 clinical results, the cost, timing and outcome of our efforts to obtain marketing approval for AKB-6548 in the United States, Europe and in other jurisdictions, including to fund the preparation and filing of regulatory submissions for AKB-6548 with the FDA, the EMA and other regulatory authorities;
- the scope, progress, results and costs of additional preclinical, clinical, or other studies for additional indications for AKB-6548, AKB-6899 and other product candidates that we may develop or acquire ;
- the timing of, and the costs involved in, obtaining regulatory approvals for AKB-6899 if clinical studies are successful;
- the cost and timing of future commercialization activities for our products, if any of our product candidates are approved for marketing, including product manufacturing, marketing, sales and distribution costs;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- the cost of having our product candidates manufactured for clinical trials in preparation for regulatory approval and in preparation for commercialization;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements;
- the costs involved in preparing, filing, and prosecuting patent applications and maintaining, defending and enforcing our intellectual property rights, including litigation costs, and the outcome of such litigation; and
- the extent to which we acquire or in-license other products or technologies.

Based on our current operating plan, and absent any future financings or strategic partnerships, we believe that the net proceeds we received from our IPO, and our existing cash and cash equivalents and available for sale securities, will be sufficient to fund our projected operating expenses and capital expenditure requirements through the first half of 2016. However, our operating plan may change as a result of many factors currently unknown to us, and we may need additional funds sooner than planned. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate preclinical studies, clinical trials or other development activities for AKB-6548, AKB-6899 or any other product candidates that we develop or acquire, or delay, limit, reduce or terminate our establishment of sales and marketing capabilities or other activities that may be necessary to commercialize our product candidates.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to product candidates on unfavorable terms to us.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings and license, development and commercialization agreements with collaborators. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms may include liquidation or other preferences and anti-dilution protections that adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or

restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through strategic collaborations with third parties, we may have to relinquish valuable rights to our product candidates, future revenue streams, research programs or product candidates or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts for AKB-6548, AKB-6899 or any other product candidates that we develop or acquire, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Our limited operating history may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

We commenced active operations in 2007, and our operations to date have been limited to organizing and staffing our company, business planning, raising capital, identifying potential product candidates, undertaking preclinical studies and conducting clinical trials. We currently have two product candidates, one of which is in preclinical development. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. Only a small percentage of biopharmaceutical development programs ultimately result in commercial products or even product candidates and a number of events could delay our development efforts and negatively impact our ability to obtain regulatory approval for, and to manufacture, market and sell, a biopharmaceutical product. We have not yet demonstrated our ability to successfully complete later stage clinical trials, obtain regulatory approvals, manufacture a commercial scale product, or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization.

In addition, as a relatively young business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to expand our capabilities to support commercial activities. We may not be successful in adding such capabilities.

Risks Related to our Business and the Clinical Development, Regulatory Review and Approval of AKB-6548 and AKB-6899

We depend heavily on the success of one product candidate, AKB-6548, which just completed a Phase 2b study. Even if we obtain favorable clinical results in our Phase 3 studies, we may not be able to obtain regulatory approval for, or successfully commercialize, AKB-6548.

We currently have only one product candidate, AKB-6548, in clinical development, and our business depends almost entirely on the successful clinical development, regulatory approval and commercialization of that product candidate, which may never occur. We currently have no drug products for sale, generate no revenue from sales of any drugs, and may never be able to develop marketable drug products. AKB-6548, which has completed a Phase 2b study, will require substantial additional clinical development, testing, manufacturing process development, and regulatory approval before we are permitted to commence its commercialization. Our other product candidate, AKB-6899, is in preclinical development. None of our product candidates has advanced into a pivotal study, and it may be years before any such study is initiated. The clinical trials of our product candidates are, and the manufacturing and marketing of our product candidates will be, subject to extensive and rigorous review and regulation by numerous government authorities in the United States and in other countries where we intend to test and, if approved, market any product candidates. Before obtaining regulatory approval for the commercial sale of any product candidate, we must demonstrate through extensive preclinical testing and clinical trials that the product candidate is safe and effective for use in each target indication. This process can take many years. Of the large number of drugs in development in the United States, only a small percentage successfully complete the FDA regulatory approval process and are commercialized. Accordingly, even if we are able to obtain the requisite capital to continue to fund our development and clinical programs, we may be unable to successfully develop or commercialize AKB-6548.

We are not permitted to market AKB-6548 in the United States until we receive approval of a New Drug Application, or NDA, from the FDA, or in any jurisdiction outside of the United States until we receive the requisite approval from such jurisdiction. As a condition to submitting an NDA to the FDA for AKB-6548 regarding its ability to treat patients with anemia secondary to CKD, we must complete Phase 3 studies and any additional non-clinical or clinical studies required by the FDA. AKB-6548 may not be successful in clinical trials or receive regulatory approval. Further, AKB-6548 may not receive regulatory approval even if it is successful in clinical trials. Obtaining approval of an NDA is a complex, lengthy, expensive and uncertain process that typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, the safety concerns associated with injectable rESAs and the black box warnings in their prescribing information may affect the FDA's review of the safety results of AKB-6548. Further, the policies or regulations, or the type and amount of clinical data necessary to gain approval, may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate and it is possible that AKB-6548 will never obtain regulatory approval. The FDA may delay, limit or deny approval of AKB-6548 for many reasons, including, among others:

- we may not be able to demonstrate that AKB-6548 is safe and effective in treating anemia secondary to CKD to the satisfaction of the FDA;

- the results of our clinical trials may not meet the level of statistical or clinical significance required by the FDA for marketing approval;
- the FDA may disagree with the number, design, size, conduct or implementation of our clinical trials;
- the FDA may not approve the formulation, labeling or specifications we request for AKB-6548;
- the FDA may approve AKB-6548 for use only in a small patient population;
- the FDA may require that we conduct additional clinical trials;
- the contract research organizations, or CROs, that we retain to conduct our clinical trials may take actions outside of our control that materially adversely impact our clinical trials;
- we may fail to perform in accordance with the FDA's good clinical practice, or GCP, requirements;
- the FDA may disagree with inclusion of patients from certain regions outside the United States to support the NDA for potential reasons such as differences in clinical practice from United States standards;
- the FDA may disagree with our interpretation of data from our preclinical studies and clinical trials;
- the FDA may not approve the manufacturing processes or facilities of third-party manufacturers with which we contract; or
- the policies or regulations of the FDA may significantly change in a manner that renders our clinical data insufficient for approval, or requiring that we amend or submit new clinical protocols.

In addition, similar reasons may cause the EMA or other regulatory authorities to delay, limit or deny approval of AKB-6548 outside the United States.

Any of these factors, many of which are beyond our control, could jeopardize our ability to obtain regulatory approval for and successfully market AKB-6548. Because our business is almost entirely dependent upon AKB-6548, any such setback in our pursuit of regulatory approval would have a material adverse effect on our business and prospects.

Alternatively, even if we obtain regulatory approval, that approval may be for indications or patient populations that are not as broad as we intend or desire or may require labeling that includes significant use or distribution restrictions or safety warnings. We may also be required to perform additional, unanticipated clinical trials to obtain approval or be subject to additional post marketing testing requirements to maintain regulatory approval. In addition, regulatory authorities may withdraw their approval of a product or the FDA may require a risk evaluation and mitigation strategy, or REMS, for a product, which could impose restrictions on its distribution. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

We have not obtained agreement with the FDA, EMA or other regulatory authorities on the design of our Phase 3 development program.

Although we have recently completed our Phase 2b study, we have not obtained agreement with the FDA on the design of our Phase 3 development program. We plan to hold an end of Phase 2 meeting with the FDA and if the FDA determines that the Phase 2b study results do not support moving into a pivotal program, we would be required to conduct additional Phase 2 studies. Alternatively, the FDA could disagree with the proposed design of our Phase 3 development program and could suggest a larger number of subjects or a longer course of treatment than our current expectations. If the FDA takes such positions, the costs of our AKB-6548 development program could increase materially, and the potential market introduction of AKB-6548 could be delayed or we could risk not obtaining FDA approval even if the Phase 3 trials meet their primary endpoints. The FDA also may require that we conduct additional clinical, nonclinical or manufacturing validation studies and submit that data before it will consider an NDA application.

We have not yet received guidance on the regulatory path for AKB-6548 from the EMA or other regulatory authorities. We cannot predict what additional requirements may be imposed by these regulatory authorities or how such requirements might delay or increase costs for our planned Phase 3 development program. Because our business is almost entirely dependent upon the successful development, regulatory approval, and commercialization of AKB-6548, any such delay or increase in costs would have an adverse effect on our business.

We may find it difficult to enroll patients in our clinical studies, which could delay or prevent clinical studies of our product candidates.

Identifying and qualifying patients to participate in clinical studies of our product candidates is critical to our success. The timing of our clinical studies depends on the speed at which we can recruit patients to participate in testing our product candidates. Patients may be unwilling to participate in our clinical studies for AKB-6548 because of concerns from adverse events observed in injectable rESAs, other investigational agents and commercial products in CKD or for other reasons, including competitive clinical studies for similar patient populations. In addition, patients controlling their disease with injectable rESAs may be reluctant to participate in a clinical trial with an investigational drug. Finally, competition for clinical trial sites may limit our access to subjects appropriate for studies of AKB-6548. As a result, the timeline for recruiting patients, conducting studies and obtaining regulatory approval of potential products may be delayed. These delays could result in increased costs, delays in advancing our development of AKB-6548 or termination of the clinical studies altogether.

We may not be able to identify, recruit and enroll a sufficient number of patients, or those with required or desired characteristics to achieve diversity in a study, to complete our clinical studies in a timely manner. Patient enrollment is affected by factors including:

- severity of the disease under investigation;
- design of the study protocol;
- size and nature of the patient population;
- eligibility criteria for and design of the study in question;
- perceived risks and benefits of the product candidate under study;
- proximity and availability of clinical study sites for prospective patients;
- availability of competing therapies and clinical studies and clinicians' and patients' perceptions as to the potential advantages of AKB-6548 in relation to available therapies or other products under development;
- efforts to facilitate timely enrollment in clinical studies;
- patient referral practices of physicians; and
- ability to monitor patients adequately during and after treatment.

We may not be able to initiate or continue clinical studies if we cannot enroll a sufficient number of eligible patients to participate in the clinical studies required by regulatory agencies. If we have difficulty enrolling a sufficient number of patients to conduct our clinical studies as planned, we may need to delay, limit or terminate on-going or planned clinical studies, any of which would have an adverse effect on our business.

We may not be able to obtain regulatory approval in some jurisdictions outside of the United States.

We currently expect to seek regulatory approval of AKB-6548 for the treatment of anemia secondary to CKD in major markets outside the United States, including the European Union. Our ability to successfully initiate, enroll and complete a clinical study in any country outside of the United States, should we attempt to do so, is subject to numerous risks unique to conducting business in international markets, including:

- difficulty in establishing or managing relationships with qualified CROs, physicians and clinical trial sites;
- different local standards for the conduct of clinical studies;
- the potential burden of complying with a variety of laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology products and treatments; and
- the acceptability of using data obtained from studies conducted in the United States with the EMA and other regulatory authorities.

If we fail to successfully meet requirements for the conduct of clinical trials outside of the United States, we may be delayed in obtaining, or be unable to obtain, regulatory approval for AKB-6548 in countries outside of the United States.

Regulatory authorities outside the United States will require compliance with numerous and varying regulatory requirements. The approval procedures vary among jurisdictions and may involve requirements for additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. In addition, in many countries outside the United States, a drug product must be approved for reimbursement before it can be approved for sale in that country. In some cases, the price that we intend to charge for our drug product is also subject to approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside of the United States does not ensure approval by regulatory authorities in other countries or by the FDA. However, the failure to obtain approval in one jurisdiction may negatively impact our ability to obtain approval in another jurisdiction. The regulatory approval process in countries outside of the United States may include all of the risks associated with obtaining FDA approval. We may not obtain such regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our product candidates in any market.

Clinical drug development is a lengthy and expensive process with an uncertain outcome, and positive results from the clinical studies of AKB-6548 thus far are not necessarily predictive of the results of any future clinical trials of AKB-6548. If we cannot replicate the positive results observed to date in our Phase 3 clinical trials, we may be unable to successfully develop, obtain regulatory approval for and commercialize AKB-6548.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. Success in preclinical studies may not be predictive of similar results in humans during clinical trials, and successful results from early or small clinical trials may not be replicated in later and larger clinical trials. For example, our encouraging preclinical and clinical results for AKB-6548 thus far do not ensure that the results of any future clinical trials will demonstrate similar results. Our planned Phase 3 development program will enroll a larger number of subjects and will treat subjects for longer periods than our prior trials, which will result in a greater likelihood that adverse events may be observed. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials after achieving positive results in early stage development, and we may face similar setbacks. If the results of our ongoing or future clinical trials for AKB-6548 are inconclusive with respect to efficacy, if we do not meet our clinical endpoints with statistical significance, or if there are safety concerns or adverse events, we may be prevented from or delayed in obtaining marketing approval for AKB-6548.

We may experience delays in our ongoing Phase 2 clinical development for AKB-6548 for the treatment of anemia in patients undergoing dialysis and we do not know whether any of our planned clinical trials will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all.

Clinical trials can be delayed or aborted for a variety of reasons, including delay or failure to:

- obtain regulatory approval to commence a clinical trial;
- reach agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtain institutional review board, or IRB, approval at each site;
- recruit, enroll and retain patients through the completion of clinical trials;
- maintain clinical sites in compliance with trial protocols through the completion of clinical trials;
- address any patient safety concerns that arise during the course of the trial;
- initiate or add a sufficient number of clinical trial sites; or
- manufacture sufficient quantities of our product candidate for use in clinical trials.

We could encounter delays if a clinical trial is suspended or terminated by us, by the relevant IRBs at the sites at which such trials are being conducted, by the Data Safety Monitoring Board, or DSMB, for such trial or by the FDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, changes in laws or regulations, or lack of adequate funding to continue the clinical trial. Any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenue. Any of these occurrences may harm our business, financial condition and prospects significantly.

Even if we receive regulatory approval for our product candidates, such drug products will be subject to ongoing regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Any regulatory approvals that we receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or other conditions of approval, or contain requirements for potentially costly post-marketing studies and surveillance to monitor the safety and efficacy of the drug product. In addition, if the FDA approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, as well as continued compliance with current Good Manufacturing Practice, or cGMP, requirements and GCP requirements for any clinical trials that we conduct post-approval.

Post-approval discovery of previously unknown problems with an approved drug product, including adverse events of unanticipated severity or frequency or relating to manufacturing operations or processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the drug product, withdrawal of the drug product from the market, or drug product recalls;
- fines, warning letters or clinical holds;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products;
- a REMS program; and
- injunctions or the imposition of civil or criminal penalties.

The FDA's policies may change and additional government regulations may be enacted. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or are not able to maintain regulatory compliance, we may lose any marketing approval that may have been obtained and we may not achieve or sustain profitability, which would adversely affect our business.

Risks Related to our Reliance on Third Parties

We rely on third parties to conduct preclinical and clinical studies for our product candidates. If they do not properly and successfully perform their obligations to us, we may not be able to obtain regulatory approvals for our product candidates.

We rely on third-party CROs and other third parties to assist in managing, monitoring and otherwise carrying out our ongoing Phase 2 development of AKB-6548 for the treatment of anemia in patients undergoing dialysis. We expect to continue to rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators to conduct our clinical trials in the future, including our Phase 3 development program for AKB-6548. We compete with many other companies for the resources of these third parties. The third parties on whom we rely may terminate their engagements with us, and having to enter into alternative arrangements would delay development and commercialization of our product candidates.

Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our responsibilities. For example, the FDA and equivalent regulatory authorities outside of the United States require compliance with regulations and standards, including GCP requirements, for designing, conducting, monitoring, recording, analyzing and reporting the results of clinical trials to ensure that the data and results are credible and accurate and that the rights, integrity and confidentiality of study subjects are protected. Although we rely on third parties to conduct our clinical trials, we are responsible for ensuring that each of these clinical trials is conducted in accordance with its general investigational plan and protocol in compliance with legal and regulatory requirements. Regulatory authorities enforce these GCP requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs or clinical trial sites fail to comply with applicable GCP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, EMA or other regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP requirements. In addition, our clinical trials must be conducted with product that meets certain specifications and is manufactured under applicable cGMP regulations. Failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If these third parties do not successfully carry out their duties under their agreements, if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to clinical trial protocols or to regulatory requirements, or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, the clinical trials of our product candidates may not meet regulatory requirements. If clinical trials do not meet regulatory requirements or if these third parties need to be replaced, preclinical development activities or clinical trials may be extended, delayed, suspended or terminated. If any of these events occur, we may not be able to obtain regulatory approval of our product candidates on a timely basis or at all.

We also expect to rely on other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, resulting in additional losses and depriving us of potential product revenue.

We intend to rely on third parties to conduct some or all aspects of our product manufacturing, and these third parties may not perform satisfactorily.

We do not have any manufacturing facilities and do not expect to independently manufacture our product candidates for research and preclinical and clinical testing. We currently rely, and expect to continue to rely, on third parties to manufacture and supply drug products for our AKB-6548 clinical trials, and we expect to rely on third parties for the manufacture of clinical and commercial quantities of our product candidates. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts.

Also, these third parties may terminate their engagement with us. We believe we have sufficient drug product to complete our ongoing Phase 2 study of AKB-6548. On February 28, 2014, we entered into an agreement with Evonik Corporation, or Evonik, for the manufacturing of the drug substance for the Phase 3 development program of AKB-6548. If Evonik cannot perform as agreed or terminates their engagement with us, we may be required to find replacement manufacturers. We may incur significant delays and added costs in identifying, qualifying and contracting with any such replacement, as well as producing the drug substance. Also if we choose to engage a second source for the production of drug substance, we may incur addition costs. We also have arrangements in place for the manufacture of finished drug product for the Phase 3 development program. Although we believe that there are several other manufacturers who also could manufacture our drug product if our current drug product manufacturer cannot perform as agreed or terminates their engagement with us, we may incur significant delays and added costs in identifying, qualifying, and contracting with another manufacturer. In addition, we have to enter into technical transfer agreements and share our know-how with such third-party manufacturers, which can be time-consuming and may result in delays. These delays could result in a suspension of our clinical trials or, if AKB-6548 is approved and marketed, a failure to satisfy patient demand.

Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured the product candidates ourselves, including:

- the inability to negotiate manufacturing agreements with third parties under commercially reasonable terms;
- reduced control as a result of using third-party manufacturers for all aspects of manufacturing activities, including regulatory compliance and quality assurance;
- termination or nonrenewal of manufacturing agreements with third parties in a manner or at a time that is costly or damaging to us;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how; and
- disruptions to the operations of our manufacturers or suppliers caused by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or supplier or a catastrophic event affecting our manufacturers or suppliers.

Any of these events could lead to clinical study delays or failure to obtain regulatory approval, or affect our ability to successfully commercialize future products. Some of these events could be the basis for FDA action, including injunction, recall, seizure or total or partial suspension of production.

The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturers for compliance with cGMP requirements for manufacture of both drug substance and finished drug product. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA, we will not be able to secure and/or maintain regulatory approval for our product candidates. In addition, we have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA, EMA or other regulatory authorities do not approve these facilities for the manufacture of our product candidates or if they withdraw any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved.

Moreover, our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products or product candidates.

In addition, our product candidates and any products that we may develop may compete with other product candidates and products for access to manufacturing facilities. Certain of these manufacturing facilities may be contractually prohibited from manufacturing our product candidates or products due to exclusivity provisions in agreements with our competitors. There are a limited number of manufacturers that operate under cGMP regulations and that might be capable of manufacturing for us.

Our current and anticipated future dependence upon others for the manufacture of our product candidates or products may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis.

If we are unable to manufacture our product candidates in sufficient quantities and at sufficient yields, we may experience delays in product development, clinical trials, regulatory approval and commercial distribution.

Completion of our clinical trials and commercialization of our product candidates require access to facilities to manufacture our product candidates at sufficient yields and at clinical and commercial scale. We have limited experience manufacturing, or managing third parties in manufacturing, any of our product candidates in the volumes that will be necessary to support large-scale clinical trials or commercial sales. Efforts to establish these capabilities may not meet initial expectations as to scheduling, scale-up, reproducibility, yield, purity, cost, potency or quality.

Our reliance on contract manufacturers may adversely affect our operations or result in unforeseen delays or other problems beyond our control. Because of contractual restraints and the limited number of third-party manufacturers with the expertise, required regulatory approvals and facilities to manufacture our bulk drug substance and drug product on a commercial scale, replacement of a manufacturer may be expensive and time-consuming and may cause interruptions in the production of our product candidates. A third-party manufacturer may also encounter difficulties in production. These problems may include:

- difficulties with production costs, scale-up and yields;
- availability of raw materials and supplies;
- quality control and assurance;
- capacity constraints;
- shortages of qualified personnel;
- compliance with strictly enforced federal, state and international regulations that vary in each country where a product might be sold; and
- lack of capital funding.

Any delay or interruption in our supply of product candidates or products could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be successful in establishing and maintaining strategic collaborations which could adversely affect our ability to develop and commercialize our product candidates, negatively impacting our operating results.

We plan to commercialize AKB-6548 ourselves in the United States and will likely seek one or more strategic collaborators to commercialize AKB-6548 in additional markets. We face competition in seeking appropriate collaborators for our product candidates, and the negotiation process is time-consuming and complex. In order for us to successfully collaborate with a third party on our product candidates, potential collaborators must view these product candidates as economically valuable. Even if we are successful in our efforts to establish strategic collaborations, the terms that we agree upon may not be favorable to us, and we may not be able to maintain such strategic collaborations if, for example, development or approval of a product is delayed or sales of an approved product are disappointing. Any delay in entering into strategic collaboration agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness even if they reach the market.

In addition, our strategic collaborators may terminate any agreements they enter into with us, and we may not be able to adequately protect our rights under these agreements. Furthermore, our strategic collaborators will likely negotiate for certain rights to control decisions regarding the development and commercialization of our product candidates, if approved, and may not conduct those activities in the same manner as we do.

If we fail to establish and maintain strategic collaborations related to our product candidates, we will bear all of the risk and costs related to the development and commercialization of any such product candidate, and we may need to seek additional financing, hire additional employees and otherwise develop expertise. This could negatively affect the development of any such product candidate.

Risks Related to our Intellectual Property

If our efforts to protect our proprietary technologies are not adequate, we may not be able to compete effectively in our market. We are currently involved in an opposition proceeding involving one of our European patents, and the outcome of that proceeding may affect our ability to establish a competitive advantage in the market or successfully commercialize our lead product candidate in the European Union.

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our technologies. We will only be able to protect our product candidates, proprietary technologies and their uses from unauthorized use by third parties to the extent that valid and enforceable patents or trade secrets cover them. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in the market.

In July 2011, a third party filed an opposition to one of our issued European patents, European Patent No. 2044005, or the '005 Patent. During the oral proceedings, which took place on April 10, 2013, the Opposition Division of the European Patent Office decided to maintain certain claims of the patent directed to a compound chosen from a group of eight compounds, including AKB-6548, as well as claims to compositions and methods for treating various diseases including, but not limited to, anemia. Both parties have appealed the decision of the Opposition Division and final resolution of the opposition proceeding will likely take a number of years. We cannot be assured of the breadth of the claims that will remain in the '005 Patent or that the patent will not be revoked in its entirety. If the European Patent Office decides to narrow the scope of the claims or revoke the '005 Patent, we may not be able to establish a competitive advantage in the European Union in our market or successfully commercialize our lead product candidates in the European Union, which could materially adversely affect our business, operating results and financial condition.

Composition-of-matter patents on the active pharmaceutical ingredient are generally considered to be the strongest form of intellectual property protection for pharmaceutical products, as such patents provide protection without regard to any method of use. Method-of-use patents protect the use of a product for the specified method.

A method-of-use patent does not prevent a competitor from making and marketing a product that is identical to our product for an indication that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products "off-label." Although off-label prescriptions may infringe or contribute to the infringement of method-of-use patents, the practice is common and such infringement is difficult to prevent or prosecute.

The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications that we own or license may fail to result in issued patents in the United States or in other countries. Our competitors have and will continue to undertake formal efforts to oppose the issuance of claims in our patent applications. We do not control decisions made by the US PTO or equivalent bodies outside the United States. Even if our patents do successfully issue, third parties may challenge the validity, enforceability, inventorship, or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. If the breadth or strength of protection provided by the patent applications we hold with respect to our product candidates is threatened, it could dissuade companies from collaborating with us to develop, and threaten our ability to commercialize, our product candidates. Further, if we encounter delays in our clinical trials, the period of time during which we could market our product candidates under patent protection would be reduced. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain that we were the first to file any patent application related to our product candidates. Furthermore, for applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third-party or instituted by the US PTO, to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. For applications containing a claim not entitled to priority before March 16, 2013, there is greater level of uncertainty in the patent law with the passage of the America Invents Act (2011), which brings into effect significant changes to the U.S. patent laws and which introduces new procedures for challenging pending patent applications and issued patents. A primary change under this reform is creating a "first to file" system in the United States. This will require us to be cognizant of the time from invention to filing of a patent application.

In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our drug discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. Although we require all of our employees to assign their inventions to us, and require all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, we

cannot be certain that our trade secrets and other confidential or proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in the market, which could materially adversely affect our business, operating results and financial condition.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.

Because we rely on third parties to research and develop and to manufacture our product candidates, we must, at times, share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements, research agreements or other similar agreements with our advisors, employees, third-party contractors and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have a material adverse effect on our business.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets, although our agreements may contain certain limited publication rights. For example, any academic institution that we may collaborate with will usually expect to be granted rights to publish data arising out of such collaboration, provided that we are notified in advance and given the opportunity to delay publication for a limited time period in order for us to secure patent protection of intellectual property rights arising from the collaboration, in addition to the opportunity to remove confidential or trade secret information from any such publication. In the future we may also conduct joint research and development programs that may require us to share trade secrets under the terms of our research and development or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-party collaborators. A competitor's discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

Third-party claims of intellectual property infringement may be costly and time consuming, and may delay or harm our drug discovery and development efforts. We are currently involved in an opposition proceeding involving a granted European patent of one of our potential competitors, as well as an invalidity proceeding involving a granted Japanese patent of one of our potential competitors.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. The pharmaceutical and biotechnology industries are characterized by extensive litigation over patent and other intellectual property rights. We may become a party to, or threatened with, future adversarial litigation or other proceedings regarding intellectual property rights with respect to our drug candidates. As the pharmaceutical and biotechnology industries expand and more patents are issued, the risk increases that our drug candidates may give rise to claims of infringement of the patent rights of others.

While our product candidates are in preclinical studies and clinical trials, we believe that the use of our product candidates in these preclinical studies and clinical trials in the United States falls within the scope of the exemptions provided by 35 U.S.C. Section 271(e), which provides that it shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention solely for uses reasonably related to the development and submission of information to the FDA. As our product candidates progress toward commercialization, the possibility of a patent infringement claim against us increases. We attempt to ensure that our product candidates and the methods we employ to manufacture them, as well as the methods for their use which we intend to promote, do not infringe other parties' patents and other proprietary rights. There can be no assurance they do not, however, and competitors or other parties may assert that we infringe their proprietary rights in any event.

Third parties may hold or obtain patents or other intellectual property rights and allege in the future that the use of our product candidates infringes these patents or intellectual property rights, or that we are employing their proprietary technology without authorization. For example, we are aware of certain patents that have been acquired by FibroGen directed to certain heterocyclic carboxamide compounds that are described as inhibitors of prolyl-4-hydroxylase.

Those patents, however, expire as of December 2014, absent extension, before we anticipate receiving regulatory approval for our product candidates. In addition, we are aware of subsequent U.S. patents issued to FibroGen directed to purportedly new methods of using such previously known heterocyclic carboxamide compounds for purposes of treating or affecting specified conditions. We do

not believe these currently issued FibroGen U.S. patents conflict with our intellectual property rights; nor do we make any admission that any of such patents are valid or enforceable. Under U.S. law, a party may be able to patent a discovery of a new way to use a previously known compound, even if such compound itself is patented, provided the newly discovered use is novel and nonobvious. Such a method-of-use patent, however, if valid, only protects the use of a claimed compound for the specified methods claimed in the patent. This type of patent does not prevent persons from using the compound for any previously known use of the compound. Further, this type of patent does not prevent persons from making and marketing the compound for an indication that is outside the scope of the patented method. We are not aware of any valid U.S. patents issued to FibroGen that claim methods of using any of our product candidates for purposes of inhibiting hypoxia-inducible factor prolyl hydroxylases, or HIF-PHs, for the treatment of anemia secondary to CKD. In June 2013, the European Patent Office granted European Patent No. 1463823, or the '823 patent, to FibroGen. The '823 patent claims, among other things, the use of a heterocyclic carboxamide compound selected from the group consisting of pyridine carboxamides, quinoline carboxamides, isoquinoline carboxamides, cinnoline carboxamides, and beta-carboline carboxamides that inhibits HIF-PH enzyme activity in the manufacture of a medicament for increasing endogenous EPO in the prevention, pretreatment or treatment of anemia. On December 5, 2013, we filed an opposition to the '823 patent requesting that the '823 patent be revoked in its entirety. While, for the reasons set forth in our opposition, we believe the '823 patent should be revoked in its entirety, the ultimate outcome of the opposition remains uncertain. If the European Patent Office decides not to revoke the '823 patent in its entirety, or only certain claims of the '823 patent, and any surviving claims are determined to encompass our intended use of our lead product candidate, we may not be able to commercialize our lead product candidate in the European Union for its intended use, which could materially adversely affect our business, operating results and financial condition.

FibroGen has filed patent applications related to the '823 patent in the United States and in other countries, and some of these applications have since issued as patents outside of the U.S., such as Japanese Patent No. 4804131, or the '131 patent. On June 2, 2014, we filed an invalidity proceeding in the Japanese Patent Office challenging the validity of the '131 patent and requesting that it be revoked in its entirety. While, for the reasons set forth in our Request For Trial filed in that proceeding, we believe the '131 patent should be revoked in its entirety, the ultimate outcome of the invalidity proceeding remains uncertain. FibroGen is also pursuing other patent applications in the United States and other countries, and some of these have issued as patents. To the extent any such patents issue or have been issued, we may initiate opposition or other legal proceedings with respect to those patents.

There may be patents of third parties, including FibroGen, of which we are currently unaware with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our drug candidates. Also, because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may infringe. Third parties, including FibroGen, may in the future claim that our product candidates and other technologies infringe upon these patents or others and may challenge our ability to commercialize AKB-6548.

Parties making claims against us may seek and obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize AKB-6548 or AKB-6899. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of our product candidates, any molecules formed during the manufacturing process or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product candidate unless we obtained a license under the applicable patents, or until such patents expire or they are finally determined to be held invalid or unenforceable. Similarly, if any third-party patent were held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture or our intended methods of use, including patient selection methods, the holders of any such patent may be able to block or impair our ability to develop and commercialize the applicable product candidate unless we obtained a license or until such patent expires or is finally determined to be held invalid or unenforceable. We may also elect to enter into a license in order to settle litigation or in order to resolve disputes prior to litigation. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates. Should a license to a third-party patent become necessary, we cannot predict whether we would be able to obtain a license or, if a license were available, whether it would be available on commercially reasonable terms. If such a license is necessary and a license under the applicable patent is unavailable on commercially reasonable terms, or at all, our ability to commercialize our product candidates may be impaired or delayed, which could in turn significantly harm our business.

Further, defense of infringement claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties or redesign our products, which may be impossible or require substantial time and monetary expenditure.

We are currently involved in opposition and invalidity proceedings and may in the future be involved in lawsuits or administrative proceedings to protect or enforce our patents, which could be expensive, time consuming, and unsuccessful.

We are currently involved in two opposition proceedings in the European Patent Office and one invalidity proceeding in the Japanese patent office. These proceedings may be ongoing for a number of years and may involve substantial expense and diversion of employee resources from our business. For more information, see the other risk factors under "Risks Related to Intellectual Property."

Competitors may infringe our patents or misappropriate our trade secrets or confidential information. To counter infringement or unauthorized use, we may be required to file infringement or misappropriation claims, which can be expensive and time-consuming. We may not be able to prevent infringement of our patents or misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States. In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable, or interpreted narrowly and could put our patent applications at risk of not issuing. In addition, there may be a challenge or dispute regarding inventorship or ownership of patents or applications currently identified as being owned by or licensed to us. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business.

Various administrative proceedings are also available for challenging patents, including interference, reexamination, *inter partes* review, and post-grant review proceedings before the US PTO or oppositions and other comparable proceedings in foreign jurisdictions. Interference proceedings provoked by third parties or brought by the US PTO may be necessary to determine the priority of inventions with respect to our patents or patent applications. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms or at all. Even if we are successful, participation in interference or other administrative proceedings before the US PTO or a foreign patent office may result in substantial costs and distract our management and other employees.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation and some administrative proceedings, there is a risk that some of our confidential information could be compromised by disclosure. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the US PTO and foreign patent agencies in several stages over the lifetime of the patent. The US PTO and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment (such as annuities) and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We have received confidential and proprietary information from collaborators, prospective licensees and other third parties. In addition, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of these third parties or our employees' former employers. We may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in our patents or other intellectual property. We may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our drug candidates. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive, consequently, the breadth of intellectual property rights in some countries outside the United States may be less extensive than those in the United States. In addition, the laws of some countries do not protect intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other

countries. Competitors may use our technologies in countries where we have not obtained patent protection to develop their own products and, further, may infringe our patents in territories where we have patent protection, but enforcement is not as strong as in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain countries. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to pharmaceutical and biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in countries outside of the United States could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to Commercialization

Our future commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians, patients, third-party payors and others in the medical community.

Even if we obtain marketing approval for AKB-6548, AKB-6899 or any other product candidates that we may develop or acquire in the future, these product candidates may not gain market acceptance among physicians, third-party payors, patients and others in the medical community. In addition, market acceptance of any approved products depends on a number of other factors, including:

- the efficacy and safety of the product, as demonstrated in clinical trials;
- the clinical indications for which the product is approved and the product label approved by regulatory authorities, including any warnings that may be required on the label;
- acceptance by physicians and patients of the product as a safe and effective treatment and the willingness of the target patient population to try new therapies and of physicians to prescribe new therapies;
- the cost, safety and efficacy of the product in relation to alternative treatments;
- the availability of adequate coverage and reimbursement by third-party payors and government authorities;
- the ability to contract with dialysis providers;
- relative convenience and ease of administration;
- the prevalence and severity of adverse side effects;
- the effectiveness of our sales and marketing efforts; and
- the restrictions on the use of our products together with other medications, if any.

For example, two of the largest operators of dialysis clinics in the United States, DaVita, Inc., or DaVita, and Fresenius Medical Care, or Fresenius, account for more than half of the injectable rESA sales in the U.S. dialysis market and have entered into long-term supply agreements with Amgen Inc., or Amgen, that began in January 2012. We believe that it may be challenging to enter into long or short-term supply agreements with DaVita, Fresenius or other operators of dialysis clinics.

Market acceptance is critical to our ability to generate significant revenue. In addition, any product candidate, if approved and commercialized, may be accepted in only limited capacities or not at all. If any approved products are not accepted by the market to the extent that we expect, we may not be able to generate significant revenue and our business would suffer.

If we are unable to establish sales, marketing and distribution capabilities or to enter into agreements with third parties to market and sell our product candidates, we may not be successful in commercializing our product candidates if and when they are approved.

We do not have a sales or marketing infrastructure and we have not yet sold, marketed or distributed any of our products. To achieve commercial success for any product for which we obtain marketing approval, we will need to establish a sales and marketing organization or make arrangements with third parties to perform these services.

There are risks involved with establishing our own sales, marketing and distribution capabilities. For example, recruiting and training a sales force are expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to and educate physicians regarding our products;
- our inability to effectively manage a geographically dispersed sales and marketing team;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating a sales and marketing organization.

If we are unable to establish our own sales, marketing and distribution capabilities and have to enter into arrangements with third parties to perform these services, our profitability, if any, is likely to be lower than if we were to market, sell and distribute any products that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

Coverage and reimbursement may be limited or unavailable in certain market segments for any approved products, which could make it difficult for us to sell our products profitably.

Market acceptance and sales of any approved products will depend significantly on the availability of adequate coverage and reimbursement from third-party payors and may be affected by existing and future healthcare reform measures. Government authorities and third-party payors decide which drugs they will pay for and establish formularies and reimbursement levels. Coverage and reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement approval for a product from a government or other third-party payor is a time consuming and costly process that could require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to the payor. Additionally, we may be required to enter into contracts with third-party payors to obtain favorable formulary status. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. We cannot be sure that coverage or adequate reimbursement will be available for any of our product candidates. Even if we obtain coverage for our product candidates, third-party payors may not establish adequate reimbursement amounts, which may reduce the demand for, or the price of, our products. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize certain of our products. In addition, in the United States third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new drugs. As a result, significant uncertainty exists as to whether and how much third-party payors will reimburse patients for their use of newly approved drugs, which in turn will put pressure on the pricing of drugs.

In addition, if AKB-6548 is used in an outpatient dialysis facility, such facilities often receive fixed reimbursement for all dialysis services furnished to patients with end-stage renal disease, or ESRD. For example, Medicare payments to ESRD facilities for such services are based on a prospective payment system known as the basic case-mix adjusted composite payment system. These payments cover a bundle of items and services routinely required for dialysis treatments furnished to Medicare beneficiaries in Medicare-certified ESRD facilities or at their home, including the cost of certain routine drugs such as our product candidates. Patient and provider access to adequate coverage and reimbursement by government and private insurance plans is central to the acceptance of any products for which we receive regulatory approval. We may be unable to sell AKB-6548, if approved, to dialysis providers on a

profitable basis if third-party payors reduce their current levels of payment or if our costs of production increase faster than increases in reimbursement levels.

Price controls may be imposed, which may adversely affect our future profitability.

In some countries, particularly member states of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our product candidates to other available products in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be adversely affected.

The impact of recent healthcare reform and other changes in the healthcare industry and in healthcare spending is currently unknown, and may adversely affect our business model.

Our revenue prospects could be affected by changes in healthcare spending and policy in the United States and abroad. We operate in a highly regulated industry and new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to healthcare availability or method of delivery or payment for healthcare products and services could negatively impact our business, operations and financial condition.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, also called the MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for physician-administered drugs. In addition, this legislation provided authority for limiting the number of drugs that will be covered in any therapeutic class. As a result of this legislation and the expansion of federal coverage of drug products, we expect that there will be additional pressure to reduce costs. For example, the Centers for Medicare and Medicaid Services, or CMS, has enacted regulations that reduced capitated payments to dialysis providers. These cost reduction initiatives and other provisions of this legislation could decrease the scope of coverage and the price that we receive for any approved products and could seriously harm our business. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policies and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may cause a similar reduction in payments from private payors. Similar regulations or reimbursement policies may be enacted in international markets which could similarly impact our business.

In addition, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively PPACA, was enacted in 2010 with a goal of reducing the cost of healthcare and substantially changing the way healthcare is financed by both government and private insurers. The PPACA, among other things, increases the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extends the rebate program to individuals enrolled in Medicaid managed care organizations, establishes annual fees and taxes on manufacturers of certain branded prescription drugs, and creates a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D. In addition, other legislative changes have been proposed and adopted in the United States since the PPACA was enacted. On August 2, 2011, the Budget Control Act of 2011 created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of up to 2% per fiscal year, which went into effect on April 1, 2013.

It is likely that federal and state legislatures within the United States and governments in other countries will continue to consider changes to existing healthcare legislation. We cannot predict the reform initiatives that may be adopted in the future or whether initiatives that have been adopted will be repealed or modified. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare may adversely affect:

- the demand for any drug products for which we may obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;
- our ability to obtain coverage and reimbursement approval for a product;

- our ability to generate revenue and achieve or maintain profitability; and
- the level of taxes that we are required to pay.

If our product candidates obtain marketing approval, we will be subject to healthcare laws, regulation and enforcement and our failure to comply with those laws could have a material adverse effect on our results of operations and financial conditions.

If we obtain approval for any of our product candidates and begin commercializing them, our operations may be directly, or indirectly through our customers, subject to additional healthcare regulation and enforcement by the federal government and the states and governments outside of the United States in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and its implementing regulations, which imposes certain requirements relating to the privacy, security, and transmission of individually identifiable health information;
- the federal physician “sunshine” requirements under PPACA, which requires manufacturers of drugs, devices, biologics, and medical supplies to report annually to CMS information related to payments and other transfers of value to physicians, other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members;
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent healthcare reforms have strengthened these laws. For example, the PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. The PPACA also amended the False Claims Act, such that violations of the anti-kickback statute are now deemed violations of the False Claims Act. To constitute a false claim prior to this amendment, an anti-kickback violation had to be accompanied by a false statement, such as false certification of compliance.

If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, the exclusion from participation in federal and state healthcare programs and imprisonment, any of which could materially adversely affect our ability to operate our business and our financial results.

We face substantial competition, which may result in others discovering, developing or commercializing products before, or more successfully than, we do.

The development and commercialization of new drug products is highly competitive. Our future success depends on our ability to demonstrate and maintain a competitive advantage with respect to the development and commercialization of our product candidates. Our objective is to develop and commercialize new products with superior efficacy, convenience, tolerability and/or safety. In many cases, the products that we commercialize will compete with existing, market-leading products.

If AKB-6548 is approved and launched commercially, competing drugs may include EPOGEN[®] and Aranesp[®], commercialized by Amgen, Procrit[®] and Eprex[®], commercialized by Johnson & Johnson, and Mircera[®], commercialized by Roche Holding Ltd., or

Roche, outside of the United States. We may face competition from potential new anemia therapies. There are several other HIF product candidates in various stages of active development for anemia indications that may be in direct competition with AKB-6548 if and when they are approved and launched commercially. These candidates are being developed by such companies as FibroGen, in partnership with AstraZeneca PLC in the United States and China and with Astellas Pharma Inc., in Europe and Asia, Japan Tobacco International, GlaxoSmithKline plc and Bayer HealthCare AG. FibroGen/Astellas Pharma Inc., in particular, is currently in Phase 3 clinical development of its product candidate, FG-4592 (roxadustat). Some of these product candidates may enter the market as early as 2017. In addition, certain companies are developing potential new therapies for renal-related diseases that could potentially reduce rESA utilization and thus limit the market for AKB-6548 if and when it is approved and launched commercially. Other new therapies are in development for the treatment of conditions inclusive of renal anemia, like sotatercept® from Acceleron Pharma Inc, that may impact the market for anemia-targeted treatment.

Since rESAs are biologic products, the introduction of biosimilars into the rESA market in the United States will constitute additional competition for AKB-6548 if we are able to obtain approval for and commercially launch our product. A biosimilar product is a follow-on version of an existing, branded biologic product. The patents for the existing, branded product must expire in a given market before biosimilars may enter that market without risk of being sued for patent infringement. In addition, an application for a biosimilar product cannot be approved by the FDA until 12 years after the existing, branded product was approved under a Biologics License Application, or BLA. The patents for epoetin alfa, a version of rESA, expired in 2004 in the European Union, and the remaining patents have expired or will expire between 2012 and 2015 in the United States. Several biosimilar versions of rESAs are available for sale in the European Union and biosimilar versions of rESAs are currently being studied in clinical trials in the United States.

Many of our potential competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing pharmaceutical products. Large and established companies such as Amgen and Roche, among others, compete in the market for drug products to treat anemia. In particular, these companies have greater experience and expertise in securing government contracts and grants to support their research and development efforts, conducting pre-clinical testing and clinical trials, obtaining regulatory approvals to market products, manufacturing such products on a broad scale and marketing approved products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and have collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection and/or FDA approval or discovering, developing and commercializing products before, or more effectively than, we do. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. If we are not able to compete effectively against potential competitors, our business will not grow and our financial condition and operations will suffer.

Our products may cause undesirable side effects or have other properties that delay or prevent their regulatory approval or limit their commercial potential.

Undesirable side effects caused by our products or even competing products in development that utilize a common mechanism of action could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities and potential product liability claims. We recently completed a Phase 2b study of AKB-6548 in non-dialysis patients with anemia related to CKD. Serious adverse events deemed to be possibly or probably related to AKB-6548 could have a material adverse effect on the development of our product candidates and our business as a whole. The incidence of most common treatment emergent adverse events in the Phase 2b study were well balanced overall between the AKB-6548 and placebo treatment groups. There was a higher incidence of serious adverse events (SAEs) reported in the AKB-6548 treatment group, the most common being renal-related. Our understanding of adverse events in future clinical trials of other product candidates may change as we gather more information, and additional unexpected adverse events may be observed in future clinical trials.

If we or others identify undesirable side effects caused by our product candidates either before or after receipt of marketing approval, a number of potentially significant negative consequences could result, including:

- our clinical trials may be put on hold;
- patient recruitment could be slowed, or enrolled patients may not want to complete a clinical trial;
- we may be unable to obtain regulatory approval for our product candidates or regulatory authorities may withdraw approvals of product candidates;
- regulatory authorities may require additional warnings on the label;

- a medication guide outlining the risks of such side effects for distribution to patients may be required;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of our products and could substantially increase commercialization costs.

Risks Related to our Business and Industry

If we fail to attract and keep senior management and key scientific personnel, we may be unable to successfully develop our products, conduct our clinical trials and commercialize our product candidates.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. We are highly dependent on certain members of our senior management. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. We may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the intense competition among numerous biopharmaceutical companies for similar personnel.

In addition, certain of our current employees also provide services to Aerpio Therapeutics, Inc., or Aerpio, a company we spun out in 2011, under a services agreement between Akebia and Aerpio. As a result, these employees devote some of their time to activities relating to Aerpio's business. In addition, some of our employees who provide services to Aerpio may ultimately become full-time employees of Aerpio and we will be forced to hire additional personnel to replace them.

We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

Our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or unauthorized activities that violate (1) FDA regulations, including those laws that require the reporting of true, complete and accurate information to the FDA, (2) quality standards, including Good Laboratory Practices (GLP), Good Clinical Practices (GCP) and Good Manufacturing Practices (GMP) (3) federal and state healthcare fraud and abuse laws and regulations or (4) laws that require the reporting of true and accurate financial information and data. Specifically, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. It is not always possible to identify and deter misconduct by employees and third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

We may encounter difficulties in managing our growth and expanding our operations successfully.

As we seek to advance our product candidates through clinical trials and commercialization, we will need to expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various strategic collaborators, suppliers and other third parties. Future growth will impose significant added responsibilities on members of management. Our future financial performance and our ability to commercialize AKB-6548, if approved, and any other product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical trials effectively and hire, train and integrate additional personnel. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing our company.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk if we commercialize any products. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to study participants or patients;
- product recalls or withdrawals, or labeling, marketing or promotional restrictions;
- loss of revenue;
- the inability to commercialize any product candidates that we may develop; and
- a decline in our stock price.

Failure to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. We currently carry product liability insurance covering our clinical trials in the amount of \$10 million in the aggregate. Although we maintain product liability insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from the use of hazardous materials by our employees or consultants, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential

liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

We may not be able to win government, academic institution or non-profit contracts or grants.

From time to time, we may apply for contracts or grants from government agencies, non-profit entities and academic institutions. Such contracts or grants can be highly attractive because they provide capital to fund the on-going development of our product candidates without diluting our stockholders. However, there is often significant competition for these contracts or grants. Entities offering contracts or grants may have eligibility requirements that our competitors may be able to satisfy that we cannot. In addition, such entities may make arbitrary decisions as to whether to offer contracts or make grants, to whom the contracts or grants will be awarded and the size of the contracts or grants to each grantee. Even if we are able to satisfy the award requirements, there is no guarantee that we will be awarded the grant. Therefore, we may not be able to win any contracts or grants in a timely manner, if at all.

Risks Related to our Common Stock

We are treated as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an “emerging growth company”, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and obtaining shareholder approval of any golden parachute payments not previously approved.

Investors may find our common stock less attractive if we continue to rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of these accounting standards until they would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds \$700 million as of any September 30 before that time or if we have total annual gross revenue of \$1 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than \$1 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” if the market value of our common stock held by non-affiliates is below \$75 million as of September 30 in any given year, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

Our stock price has been volatile, and as a result our stockholders could incur substantial losses.

Our stock price has been and may continue to be volatile. Since our IPO in March 2014, the price of our common stock as reported on The NASDAQ Global Market has ranged from a low of \$10.27 on November 6, 2014 to a high of \$31.00 on June 20, 2014. The market price of shares of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- results of clinical trials of our product candidates;
- the timing of the release of results of our clinical trials;
- results of clinical trials of our competitors' product candidates;
- safety issues with respect to our product candidates or products or our competitors' product candidates or products;
- regulatory actions with respect to our product candidates or products or our competitors' product candidates or products;
- decisions by the US PTO or patent authorities outside the United States;
- actual or anticipated fluctuations in our financial condition and operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- sales of our common stock by us, our insiders or our other stockholders;
- speculation in the press or investment community;
- announcement or expectation of additional financing efforts;
- changes in accounting principles;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities;
- changes in market conditions for biopharmaceutical stocks; and
- changes in general market and economic conditions.

In addition, the stock market has recently experienced significant volatility, particularly with respect to pharmaceutical, biotechnology and other life sciences company stocks. The volatility of pharmaceutical, biotechnology and other life sciences company stocks often does not relate to the operating performance of the companies represented by the stock. As we operate in a single industry, we are especially vulnerable to the factors listed above to the extent that they affect our industry, markets or products. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Our principal stockholders and management own a significant percentage of our stock and will be able to exercise significant influence over matters subject to stockholder approval.

Our executive officers, directors and principal stockholders, together with their respective affiliates collectively control a majority of our common stock. Accordingly, these stockholders will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of our Board of Directors and approval of significant corporate transactions. This concentration of ownership could have the effect of entrenching our management and/or the Board of Directors, delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material and adverse effect on the fair market value of our common stock.

We are incurring significant increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives.

As a newly public company, we are incurring significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules of the SEC and The NASDAQ Global Market, or NASDAQ, have imposed various requirements on public companies including requiring establishment and maintenance of effective disclosure and financial controls. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Provisions in our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws contain provisions that may have the effect of discouraging, delaying or preventing a change in control of us or changes in our management. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our Board of Directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors. Among other things, these provisions:

- authorize “blank check” preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- create a classified Board of Directors whose members serve staggered three-year terms;
- specify that special meetings of our stockholders can be called only by our Board of Directors pursuant to a resolution adopted by a majority of the total number of directors;
- prohibit stockholder action by written consent;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our Board of Directors;
- provide that our directors may be removed only for cause;
- provide that vacancies on our Board of Directors may be filled only by a majority of directors then in office, even though less than a quorum;
- require a supermajority vote of the holders of our common stock or the majority vote of our Board of Directors to amend our amended and restated by-laws; and
- require a supermajority vote of the holders of our common stock to amend the classification of our Board of Directors into three classes and to amend certain other provisions of our certificate of incorporation.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Any provision of our Amended and Restated Certificate of Incorporation, our Amended and Restated By-Laws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our existing NOLs may be subject to substantial limitations arising from previous ownership changes and our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state law. Accordingly, we may not be able to utilize a material portion of our NOLs. Furthermore, our ability to utilize our NOLs is

conditioned upon our attaining profitability and generating U.S. federal taxable income. As described above under “—Risks related to our financial position and need for additional capital,” we have incurred significant net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future; thus, we do not know whether or when we will generate the U.S. federal taxable income necessary to utilize our NOLs. A full valuation allowance has been provided for the entire amount of our NOLs.

Our Amended and Restated Certificate of Incorporation designates the state or federal courts located in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Amended and Restated Certificate of Incorporation provides that, subject to limited exceptions, the state and federal courts located in the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our Amended and Restated Certificate of Incorporation or our Amended and Restated By-Laws or (4) any other action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our Amended and Restated Certificate of Incorporation described above. This choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our Amended and Restated Certificate of Incorporation inapplicable to, or unenforceable with respect to, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

You should not rely on an investment in our common stock to provide dividend income. We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our operations. In addition, any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our common stock.

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

Recent Sales of Unregistered Securities

During the quarter ended September 30, 2014, we issued and sold an aggregate of 39,043 shares of common stock to certain employees for cash consideration in the aggregate amount of \$34,211 upon the exercise of stock options. These issuances were undertaken in reliance upon the exemption from registration requirements of Rule 701 of the Securities Act.

Use of Proceeds from Initial Public Offering of Common Stock

On March 25, 2014, we completed the IPO of our common stock and issued and sold 6,762,000 shares of our common stock, including 879,647 shares of common stock sold pursuant to the underwriters’ full exercise of their option to purchase additional shares at a public offering price of \$17.00 per share, for aggregate gross proceeds of \$115.0 million. All of the shares issued and sold in the IPO were registered under the Securities Act pursuant to a Registration Statement on Form S-1 (File No. 333-193969), which was declared effective by the SEC on March 19, 2014.

The net proceeds to us, after deducting underwriting discounts of \$8.0 million and offering expenses totaling \$2.5 million, were approximately \$104.4 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning 10.0% or more of any class of our equity securities or to any other affiliates.

There has been no material change in our planned use of the balance of the net proceeds from the offering described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act. We invested the funds received in cash equivalents and other investments in accordance with our investment policy, and as of September 30, 2014, the remainder of the net proceeds is included in cash and cash equivalents and available for sale securities.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The following disclosure is provided in accordance with and in satisfaction of the requirements of Item 2.02 *Results of Operations and Financial Condition* of Form 8-K:

On November 10, 2014, Akebia announced its financial results for the quarter ended September 30, 2014 and commented on certain corporate accomplishments and plans. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 hereto.

The information furnished in Item 5 (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 6. Exhibits.

Exhibits

- 10.1 Separation Agreement dated August 5, 2014 between Akebia Therapeutics, Inc. and Robert Shalwitz, M.D.
- 10.2 Consulting Agreement dated August 5, 2014 between Akebia Therapeutics, Inc. and Robert Shalwitz, M.D.
- 31.1 Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350.
- 99.1 Press Release issued by Akebia Therapeutics, Inc. on October 10, 2014 (furnished herewith).
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AKEBIA THERAPEUTICS, INC.

Date: November 10, 2014

By: /s/ John P. Butler
John P. Butler
Chief Executive Officer and President

Date: November 10, 2014

By: /s/ Jason A. Amello
Jason A. Amello
Senior Vice President, Chief Financial Officer and Treasurer



August 5, 2014

Robert Shalwitz, M.D.
 2549 Bryden Road
 Bexley, OH 43209

Re: Separation Agreement

Dear Bob:

The purpose of this letter agreement ("Agreement") is to confirm the terms of your separation from Akebia Therapeutics, Inc. ("Akebia" or the "Company").¹ Unless you rescind your assent as set forth in Section 5(iii) below, this Agreement shall be effective on the eighth (8th) day following your signing of it (the "Effective Date"), at which time it shall become final and binding on all parties.

1. Transitional Employment

- (i) Contingent upon your execution of this Agreement, effective August 5, 2014 you will remain a full-time employee of Akebia during the transition period described in the following sentence (a "Transitional Employee"). You shall continue as a Transitional Employee until the earlier of (a) December 31, 2014; (b) the date that you terminate your employment with the Company for any reason; or (c) the date that the Company terminates your employment for Cause (the "Separation Date"). The period from August 5, 2014 to the Separation Date shall be referred to as the "Transitional Employment Period".
- (ii) During the Transitional Employment Period you (a) will have the title of Executive Vice President, reporting to Akebia's Chief Executive Officer; (b) agree to perform all of your assigned job duties in good faith and to the best of your ability; and (c) agree to otherwise assist Akebia in the transition of work in connection with any of the duties you have performed at Akebia. Such assigned duties shall include, but not be limited to, transitioning your duties and knowledge to Akebia's Chief Medical Officer and/or Vice President of Regulatory and optimizing analysis and initial reporting of the Phase 2b study AKB-6548 (CI-0007). You understand and acknowledge that during the Transitional Employment Period your duties may require you to travel outside of Ohio, including to Cambridge, Massachusetts, Rockville, Maryland (to, as needed, meet with the Food and Drug Administration), and other locations as requested by the Company.
- (iii) During the Transitional Employment Period you will receive an annual base salary of \$410,000, less all applicable income and payroll taxes, deductions and withholdings, payable in accordance with Akebia's standard payroll cycle. You also shall be eligible to participate in the Company's 2014 discretionary bonus program in accordance with the terms and conditions of the Akebia Therapeutics, Inc. Cash Incentive Plan. Any bonus earned under that Plan shall be paid at the time that other Company executives eligible for bonuses are paid.
- (iv) During the Transitional Employment Period you also shall continue to receive all employee benefits to which you currently are entitled and for which you remain eligible during the Transitional Employment Period. During the Transitional Employment Period, however, the Company in its sole discretion may change your title and/or job duties at any time, and nothing in this Agreement shall affect the Company's ability to amend, modify or terminate its employee benefit plans and programs at any time in accordance with their terms. During the Transitional Employment Period, your rights to exercise vested stock options are governed by the terms of any applicable stock option agreement and equity plan, and your rights during the Transitional Employment Period with respect to any restricted shares are governed by the terms of any applicable restricted share agreement and equity plan.
- (v) During the Transitional Employment Period you will not engage in any acts that are detrimental to the Company's best interest, and you will continue to comply with all applicable Akebia policies, rules and regulations.

¹ Except for the obligations set forth in Section 2, which shall be solely the obligations of Akebia Therapeutics, Inc., whenever the terms "Akebia Therapeutics, Inc.," "Akebia" or the "Company" are otherwise used in this Agreement (including, without limitation, Section 5), they shall be deemed to include Akebia Therapeutics, Inc. and any and all of its divisions, affiliates and subsidiaries and all related entities, and its and their directors, officers, employees, agents, successors and assigns.

- (vi) You acknowledge that from and after the Separation Date you shall have no authority to represent yourself as an employee or agent of Akebia, and you agree not to represent yourself thereafter as an employee or agent of Akebia, except as set forth in the Consulting Agreement described in Section 2(iii) below.
- (vii) On or about the Separation Date, the Company shall pay your accrued but unused vacation time and your final pay earned through the Separation Date in accordance with applicable law. In addition, not later than sixty (60) days following the Separation Date, you will receive reimbursement for all reasonable business expenses incurred by you before the Separation Date, provided you submit them for reimbursement in accordance with the Company's usual procedures for business expense reimbursement within thirty (30) days following the Separation Date.
- (viii) For purposes of this Agreement, and in each case as determined by the Compensation Committee of the Company's Board of Directors in its sole and reasonable discretion, the following will constitute "Cause": (a) your indictment or conviction for either any felony offense or any other crime involving dishonesty; (b) your participation in any fraud, theft, embezzlement or other misconduct or act of dishonesty involving the Company or any of its subsidiaries; (c) your intentional damage to any property of the Company or any of its subsidiaries; (d) your breach of the duty of good faith and fair dealing that you owe to the Company or any of its subsidiaries; (e) your breach or violation of any agreement with the Company or any of its subsidiaries, including, without limitation, your Employee Agreement (Confidentiality, Non-Solicitation, Non- Competition and Inventions Agreement) dated February 10, 2014, as amended (the "Restrictive Covenants Agreement"); (f) any conduct by you that in the good faith and reasonable determination of the Board of Directors demonstrates gross unfitness to serve; (g) your failure to comply with the code of conduct of the Company or any of its subsidiaries or any other policies of the Company that have been approved by the Board of Directors or its authorized delegate; (h) your insubordination or failure to follow the directions of the Board of Directors or of the Chief Executive Officer of the Company; or (i) any other conduct by you that could be expected to be harmful to the business, interests or reputation of the Company or any of its subsidiaries.

2. Severance Pay and Benefits. If you do not rescind this Agreement as set forth in Section 5(iii) below, and provided you do not terminate your employment with the Company or the Company does not terminate your employment for Cause, in either case prior to December 31, 2014, then the Company will:

- (i) provide you with a severance payment in the gross amount of \$410,000, less all applicable income and payroll taxes, deductions and withholdings ("Severance Pay"). Severance payments shall be made over the twelve (12) month period (the "Severance Period") following the Separation Date in accordance with Akebia's standard payroll cycle, with the first payment to occur on the second (2nd) regularly scheduled pay date following the Separation Date, retroactive to the date of termination. Severance Pay shall not be reduced by any compensation you receive from any subsequent employment or source. Subject at all times to Section 4 of this Agreement, in the event of your death prior to the end of the Severance Period any Severance Pay not yet received by you shall continue to be paid to your spouse, Paula Krasnoff, in accordance with Akebia's standard payroll cycle. If your wife pre-deceases you, or if she dies before any remaining Severance Pay has been received by her, then such remaining Severance Pay shall be divided equally and shall continue to be provided to your sons, Isaiah Shalwitz and Steven Shalwitz, in accordance with Akebia's standard payroll cycle;
- (ii) provided that you appropriately and timely complete all required elections, reimburse (on a taxable basis) premiums paid by you for health and dental insurance premiums (for yourself and all eligible dependents) under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") at the same amount and to the same extent it would if you still were employed by the Company ("COBRA Reimbursement") until the earliest of (a) the last day of the month which falls twelve (12) months after the Separation Date; (b) the date that you and/or your eligible dependents are no longer eligible to receive continuation coverage under COBRA; or (c) the date on which you become eligible to receive health or dental care coverage pursuant to the health or dental care plan of a new employer. COBRA election forms and related documentation shall be provided to you on or after the Separation Date, and the "qualifying event" under COBRA shall be the Separation Date. Payment of the COBRA Reimbursement shall be made during the period described in the immediately preceding sentence in accordance with Akebia's standard payroll cycle, with the first payment to occur on the second (2nd) regularly scheduled pay date following the Separation Date, retroactive to the date of termination. You hereby acknowledge that reimbursement of your COBRA premiums will be taxable income to you; and
- (iii) enter into a Consulting Agreement (the "Consulting Agreement"), pursuant to which you will remain eligible (a) to hold and continue to vest in your existing equity awards during the term of such agreement, (b) under certain circumstances set forth in the Consulting Agreement, for acceleration of such equity awards upon the termination of such agreement, and (c) under certain circumstances set forth in the Consulting Agreement, for an extended exercise period with respect to vested stock options upon the termination of such agreement. If, however, you terminate the Consulting Agreement for convenience or the Company terminates the Consulting Agreement for "cause" (as that term is defined in the Consulting Agreement), the unvested portions of your equity awards shall immediately terminate without payment of consideration therefor and any and all other consideration under this Agreement, including any Severance Pay and Benefits not yet

provided to you, shall immediately cease. You hereby acknowledge and agree that, to the extent the Consulting Agreement does not take effect, your rights to exercise any vested stock options shall continue to be governed by the existing terms of any applicable stock option agreement and equity plan and your rights with respect to any restricted shares shall continue to be governed by the existing terms of any applicable restricted share agreement and equity plan.

The Severance Pay, the COBRA Reimbursement and the Consulting Agreement are referred to in this Agreement as the "Severance Pay and Benefits"

3. Acknowledgments. You acknowledge and agree that:

- (i) your employment during the Transitional Employment Period shall remain at-will, and either you or the Company may terminate the employment relationship at any time, with or without reason or notice, subject to the rights and obligations of the parties set forth herein; *provided, however*, that if the Company terminates the employment relationship other than for Cause (as defined herein) prior to December 31, 2014, the Company will provide you with the Severance Pay and Benefits set forth in Sections 2(i) and (ii) above and, unless otherwise agreed by you and the Company at the time of such termination of employment, the Severance Pay and Benefits set forth in Section 2(iii) above, in each case, pursuant to the terms of this Agreement and, if applicable, the Consulting Agreement;
- (ii) this Agreement and the Severance Pay and Benefits are neither intended to nor shall constitute a severance plan and shall confer no benefit on anyone other than Akebia and you;
- (iii) the Severance Pay and Benefits provided for herein are not otherwise due or owing to you under any employment agreement (oral or written), including, without limitation, the Executive Severance Agreement between you and the Company dated March 3, 2014 (the "Executive Severance Agreement");
- (iv) except for (a) any unpaid regular wages (including accrued but unused earned time) earned through (and including) the Separation Date, which shall be paid by the Company on the Separation Date and (b) any vested monies due to you pursuant to any retirement programs in which you participate, you have been paid and provided all wages, vacation pay, holiday pay, commissions and any other form of compensation or benefit that may be due to you now or which would have become due in the future in connection with your employment with or separation of employment from Akebia.

4. Return of Company Property; Affirmation of Restrictive Covenants; Confidentiality; and Non-Disparagement You hereby agree to:

- (i) promptly return to Akebia all property and documents (whether in hard copy or electronic form) of Akebia in your custody and possession on or before the Separation Date;
- (ii) abide by the terms of your Restrictive Covenants Agreement (as amended by the Consulting Agreement), the terms of which shall survive your separation from the Company and which are hereby incorporated into this Agreement by reference;
- (iii) abide by any and all common law and/or statutory obligations relating to the protection and non-disclosure of Akebia's trade secrets and/or confidential or proprietary documents and information, and you specifically agree that you will not disclose any confidential or proprietary information that you acquired as an employee of Akebia to any other person or entity, or use such information in any manner that is detrimental to the interests of Akebia;
- (iv) keep confidential and not publicize or disclose the existence and terms of this Agreement, other than to (a) an immediate family member, legal counsel, accountant or financial advisor, provided that any such individual to whom disclosure is made shall be bound by these confidentiality obligations; (b) a state or federal tax authority or government agency to which disclosure is mandated by applicable state or federal law; or (c) in response to a subpoena, court order or discovery request during pending litigation. Nothing in this Agreement shall be construed to prohibit truthful testimony concerning this Agreement;
- (v) not make any statements that are disparaging about or adverse to the business interests of the Company or which are intended to harm the reputation of the Company including, but not limited to, any statements that disparage any product, service, finances, employees, officers, directors, capabilities or any other aspect of the Company's business or products. In addition, the Company agrees that its Chief Executive Officer and members of the Board of Directors shall not make any statements that are disparaging about you or which are intended to harm your reputation.

Your breach of this Section 4 will constitute a material breach of this Agreement and, in addition to any other legal or equitable remedy available to Akebia, will relieve Akebia of the obligation to provide any Severance Pay and Benefits not already provided and will entitle Akebia to recover any Severance Pay and Benefits already paid or provided.

5. Release of Claims.

- (i) You hereby acknowledge and agree that by signing this Agreement and accepting the Severance Pay and Benefits provided for in this Agreement, you are waiving your right to assert any form of legal claim against Akebia (as defined in footnote number 1 to this Agreement) of any kind whatsoever from the beginning of time through and including the Separation Date, except for claims related to the Company's failure to perform its obligations under this Agreement. Your waiver and release is intended to bar any form of legal claim, charge, complaint or any other form of action (collectively referred to as "Claims") against Akebia seeking any form of relief including, without limitation, equitable relief (whether declaratory, injunctive or otherwise), the recovery of any damages or any other form of monetary recovery whatsoever (including, without limitation, back pay, front pay, compensatory damages, emotional distress damages, punitive damages, attorneys' fees and any other costs) against Akebia up through and including the Separation Date. You understand that there could be unknown or unanticipated Claims resulting from your employment with Akebia and the separation therefrom and agree that such Claims are intended to be, and are, included in this waiver and release.
- (ii) Without limiting the foregoing general waiver and release, you specifically waive and release the Company from any Claims arising from or related to your employment relationship with the Company or the separation thereof, including without limitation:
 - (a) Claims under any local, state or federal discrimination, harassment, fair employment practices or other employment-related statute, regulation or executive order, including, without limitation, the Massachusetts Fair Employment Practices Act (also known as Chapter 151B), the Age Discrimination in Employment Act and Title VII of the Civil Rights Act of 1964;
 - (b) **Claims under any other local, state or federal employment related statute, regulation or executive order relating to the payment or receipt of salary, wages, commissions, vacation pay or overtime, hours or any other terms and conditions of employment (including, without limitation, the Massachusetts Payment of Wages Act, M.G.L.c. 149, §§ 148 & 150, and the Massachusetts Overtime Law, M.G.L.c. 151, §§ 1A and 1B);**
 - (c) Claims under any local, state or federal common law theory; and
 - (d) any other Claim arising under other local, state or federal law.
- (iii) Because you are over 40 years of age, you are granted specific rights under the Older Workers Benefit Protection Act ("OWBPA"), which prohibits discrimination on the basis of age. The release set forth in this Section 5 is intended to release any rights you may have against Akebia alleging discrimination on the basis of age. Consistent with the provisions of OWBPA, you have twenty- one (21) days to consider and accept the provisions of this Agreement. In addition, you may rescind your assent to this Agreement if, within seven (7) days after the date you sign this Agreement, you deliver a written notice of rescission. To be effective, such notice of rescission must be postmarked, and sent by certified mail, return receipt requested, or delivered within the seven-day period to Nicole R. Hadas, Vice President and General Counsel, Akebia Therapeutics, Inc., 245 First Street, Suite 1100, Cambridge, MA 02142.
- (iv) Consistent with federal discrimination laws, nothing in this release shall be deemed to prohibit you from challenging the validity of this release under federal discrimination laws or from filing a charge or complaint of age or other employment related discrimination with the Equal Employment Opportunity Commission ("EEOC"), or from participating in any investigation or proceeding conducted by the EEOC. Further, nothing in this release or Agreement shall be deemed to limit Akebia's right to seek immediate dismissal of such charge or complaint on the basis that your signing of this Agreement constitutes a full release of any individual rights under federal discrimination laws, or Akebia's right to seek restitution or other legal remedies to the extent permitted by law of the economic benefits provided to you under this Agreement in the event that you successfully challenge the validity of this release and prevail in any claim under federal discrimination laws.

6. Affirmation of Release of Claims. On or promptly after the Separation Date, you agree to execute the affirmation attached as *Exhibit A*. You also acknowledge and agree that the release of claims in Section 5 shall be fully effective in the event that you fail or refuse to execute the affirmation, but that Akebia shall have no obligation to provide you with the Severance Pay and Benefits (that otherwise would be provided under Section 2 of this Agreement) not already provided as of the Separation Date until you execute the affirmation.

7. Miscellaneous.

- (i) This Agreement supersedes any and all prior oral and/or written agreements, and sets forth the entire agreement between Akebia and you in respect of your separation from Akebia, except for (a) your Restrictive Covenants Agreement and (b) the Consulting Agreement. For the avoidance of doubt, your Executive Severance Agreement shall be superseded in its entirety by this Agreement and shall no longer be of any force or affect.

- (ii) No variations or modifications hereof shall be deemed valid unless reduced to writing and signed by Akebia and you.
- (iii) The provisions of this Agreement are severable, and if for any reason any part hereof shall be found to be unenforceable, the remaining provisions shall be enforced in full.
- (iv) The validity, interpretation and performance of this Agreement, and any and all other matters relating to your employment and separation of employment from Akebia, shall be governed by and construed in accordance with the internal laws of the State of Ohio, without giving effect to conflict of law principles.
- (v) The payments and entitlements provided for under this Agreement are intended to qualify for the short-term deferral exception to Section 409A of the Internal Revenue Code of 1986 (the "Code") as described in Treasury regulation Section 1.409A-1(b)(4) to the maximum extent possible, and to the extent they do not so qualify, they are intended to qualify for the separation pay plan exception to Section 409A of the Code as described in Treasury regulation Section 1.409A-1(b)(9)(iii) to the maximum extent possible. Notwithstanding any provision of this Agreement to the contrary, if at the time of your separation from service (as defined below) you are a specified employee (as defined below), as determined by the Company, any and all amounts payable in connection with such separation from service that constitute deferred compensation subject to Code Section 409A, as determined by the Company, and that would otherwise be payable within six (6) months following such separation from service, shall instead be paid on the date that follows the date of such separation from service by six (6) months (or, if earlier, upon your death). For purposes of this Agreement, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by the Company to be a specified employee under Treasury regulation Section 1.409A-1(i). Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. Any reimbursement for expenses that would constitute nonqualified deferred compensation subject to Section 409A of the Code shall be subject to the following additional rules: (a) no reimbursement of any such expense shall affect your right to reimbursement of any such expense in any other taxable year; (b) reimbursement of the expense shall be made, if at all, promptly, but not later than the end of the calendar year following the calendar year in which the expense was incurred; and (c) the right to reimbursement shall not be subject to liquidation or exchange for any other benefit.

It is Akebia's desire and intent to make certain that you fully understand the provisions and effects of this Agreement. To that end, you have been encouraged and given an opportunity to consult with legal counsel. By executing this Agreement, you are acknowledging that (a) you have been afforded sufficient time to understand the provisions and effects of this Agreement and to consult with legal counsel; (b) your agreements and obligations under this Agreement are made voluntarily, knowingly and without duress; and (c) neither Akebia nor its agents or representatives have made any representations inconsistent with the provisions of this Agreement.

If the foregoing correctly sets forth our arrangement, please sign, date and return the enclosed copy of this Agreement to me at 245 First Street, Suite 1100, Cambridge, MA 02142 within the time frame set forth above.

Very truly yours,

/s/ John P. Butler

John P. Butler
President & Chief Executive Officer

Accepted and Agreed To:

/s/ Robert Shalwitz, M.D.

Robert Shalwitz, M.D.

Dated: August 5, 2014

EXHIBIT A

AFFIRMATION OF RELEASE OF CLAIMS

IN ORDER TO RECEIVE YOUR SEVERANCE PAY AND BENEFITS YOU MUST SIGN, DATE AND RETURN THIS AFFIRMATION TO NICOLE R. HADAS AT AKEBIA THERAPEUTICS, INC., 245 FIRST STREET, SUITE 1100, CAMBRIDGE, MA 02142, BUT ONLY AFTER YOUR SEPARATION DATE, AS THAT TERM IS DEFINED IN YOUR SEPARATION AGREEMENT DATED AUGUST 5, 2014.

I hereby reaffirm in its entirety the provisions of the Separation Agreement with Akebia Therapeutics, Inc. dated August 5, 2014 signed by me including, without limitation, the release of claims contained in Section 5 of that Separation Agreement.

Robert Shalwitz, M.D.

DATE: _____, 201__



www.akebia.com

Akebia Therapeutics, Inc.
245 First Street
Suite 1100
Cambridge, MA 02142

August 5, 2014

Robert Shalwitz, M.D.
2549 Bryden Rd
Bexley, OH 43209

Re: Consulting Agreement

Dear Bob:

This letter agreement ("Agreement") will confirm the agreement between you and Akebia Therapeutics, Inc. (the "Company") concerning your engagement to provide certain consulting services following the conclusion of your full-time employment with the Company on December 31, 2014.

1. **Services.** You agree to provide services as requested by the Company. The services to be provided hereunder shall include advising the Company with respect to its research, pre-clinical and clinical development activities, manufacturing processes, intellectual property portfolio, and such other assistance as specifically requested by your designated Company contact (in the aggregate, the "Services"). Your designated Company contact for this engagement is John P. Butler, Chief Executive Officer. The term of this Agreement shall, subject to your continued full-time employment with the Company through December 31, 2014, commence on January 1, 2015 (the "Effective Date") and continue for a period of twenty-four (24) months, unless extended by mutual agreement of the parties or earlier terminated as provided herein (the "Consulting Period"). You agree to devote as much business time as is necessary to properly perform the Services, but no more than (i) thirty (30) hours per month during the first twelve (12) months of the Consulting Period and (ii) ten (10) hours per month during the second twelve (12) months of the Consulting Period, unless otherwise agreed upon by the parties. If you receive approval to devote more than the maximum hours set forth above to perform the Services, you will receive additional consideration from the Company as set forth in Section 3(b) below.

2. **Relationship of Parties.** It is expressly agreed that, in providing the Services to the Company under this Agreement, you will be an independent contractor and that you will not be an employee or agent of the Company and that nothing herein is intended to create an employment relationship between you and the Company. It is also agreed that you shall have no right to make any commitments on behalf of the Company without the express written consent of your designated contact or a properly authorized Company officer. You are free to accept engagements from others during the Consulting Period, so long as those engagements do not prevent you from performing the Services or otherwise violate your obligations under this Agreement, including those obligations set forth in Sections 6, 7 and 8. In addition to your obligations under this Agreement, you acknowledge your additional obligations set forth in (i) the Employee Agreement (Confidentiality, Non-Solicitation, Non-Competition and Developments Agreement) between you and the Company dated February 10, 2014 (the "Employee Agreement") and attached hereto as Exhibit A, which shall remain in full force and effect and is incorporated into this Agreement by reference, and (ii) the Separation Agreement between you and the Company dated as of August 5, 2014 (the "Separation Agreement"). For the avoidance of doubt, this Agreement shall be void *ab initio* if you fail to execute or revoke the Separation Agreement or if you fail to remain employed by the Company through December 31, 2014 in accordance with the terms of the Separation Agreement.

3. **Consideration.**

(a) In consideration for the Services provided hereunder, each of your equity awards will remain outstanding during the Consulting Period and each of your equity awards that are invested as of December 31, 2014 will continue to vest during the Consulting Period, in each case, in accordance with the terms of the applicable equity plan and the equity award agreement between you and the Company and subject to the provisions of this Agreement. Notwithstanding the foregoing or the provisions of Company's equity plans or any applicable equity award agreement to the contrary, 100% of any outstanding unvested stock options and restricted shares shall immediately vest upon (i) your death during the Consulting Period, (ii) a Change of Control that is consummated during the Consulting Period, (iii) termination of this Agreement by the Company (or any successor in-interest or assignee) other than for Cause (as defined below) or (iv) expiration of this Agreement by its terms at the end of the twenty-four (24) month period beginning on the Effective Date, *provided* in each case that you have not breached any provisions of this Agreement or the Separation Agreement during the Consulting Period.

(b) In addition, in the event that the time you devote to the Services exceeds the maximum number of hours set forth in Section 1 above, and provided you receive approval for such time in accordance with Section 1 above, the Company will compensate you for those hours in excess of the maximum hours set forth in Section 1, at a rate of \$400 per hour, within thirty (30) days of receipt of an invoice for Services rendered. You will keep records of any hours worked under this Agreement, and will make those records available to the Company upon its reasonable request.

4. **Expenses.** The Company will reimburse your reasonable and necessary business expenses directly incurred by you in the performance of the Services under this Agreement during the Consulting Period, subject to prior approval of such expenses and timely submission of such documentation and substantiation as the Company may require. You agree to submit monthly requests for reimbursement of expenses. The Company will pay properly documented expenses within thirty (30) days after receipt of properly documented requests. Any reimbursements provided hereunder that would constitute nonqualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended from time to time, and guidance issued thereunder, including exemptive and transition relief provisions, shall be subject to the following additional rules: (i) no reimbursement of any such expense shall affect your right to reimbursement of any other such expense in any other taxable year; (ii) reimbursement of the expense shall be made not later than the end of your taxable year following the taxable year in which the expense was incurred; and (iii) the right to reimbursement shall not be subject to liquidation or exchange for any other benefit.

5. **Taxes, Insurance and Benefits.** As an independent contractor, you shall be solely responsible for all insurance including, but not limited to, workers' compensation insurance and unemployment insurance, if required, and for the withholding and payment of all federal, state and local income taxes, social security and Medicare taxes and other legally-required payments on sums received from the Company under this Agreement. As applicable, the Company will provide you with an IRS Form 1099 evidencing all consideration paid by it to you in connection with this engagement. You will also be solely responsible for any comprehensive general liability, automobile or other insurance which you decide to obtain and keep in effect.

Because you are an independent contractor, neither you nor any dependent or other individual claiming through you will be eligible to participate in, or receive benefits under, any of the employee benefit plans, programs, agreements or arrangements maintained by the Company, other than as set forth in the Separation Agreement or in Section 3(a) hereof.

6. **Confidentiality and Related Matters.**

(a) **Confidential Information.** Your confidentiality obligations shall be as set forth in the Employee Agreement. The defined term, "Term", which is defined in Section 1 of the Employee Agreement, shall be amended and restated to replace "employment" with "consulting services". In addition, any and all other references to "employment" in the Employee Agreement shall be deemed to also include the Services provided hereunder.

(b) **Protection of Documents.** All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the "**Documents**"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to safeguard all Documents and to surrender to the Company, at the time the Consulting Period terminates or at such earlier time or times as the Company may specify, all Documents then in your possession or control. You also agree to disclose to the Company, at the time the Consulting Period terminates or at such earlier time or times as the Company may specify, all passwords necessary or desirable to obtain access to, or that would assist in obtaining access to, any information which you have password-protected on any computer equipment, network or system of the Company or any of its Affiliates.

(c) **No Public Comment.** During the Consulting Period and thereafter, you shall not give any statement or make any announcement, directly or indirectly, orally or in writing, publicly or to the media (electronic, print or otherwise), about the Company or any of its Affiliates without the prior written consent of the Chief Executive Officer of the Company or his expressly authorized representative.

7. **Assignment of Rights to Intellectual Property.** You shall disclose and assign all rights to Intellectual Property of the Company as set forth in Section 5 of the Employee Agreement.

8. **Restricted Activities.** In consideration of the continued vesting of your equity awards during the Consulting Period, you acknowledge and agree that the following restrictions on your activities during and after the Consulting Period, as well as the restrictions set forth in Sections 6, 7 and 8 of the Employee Agreement, are necessary to protect the goodwill, Confidential Information, trade secrets and other legitimate interests of the Company and its Affiliates:

(a) **Conflicts of Interest Prohibited.** You agree that, during the Consulting Period, you will not undertake any outside activity, whether or not competitive with the business of the Company or its Affiliates that could reasonably give rise to a conflict of interest or otherwise interfere with your performance of the Services.

(b) **Non-Solicitation of Investors, Business Partners or Vendors.** During the Consulting Period, you agree that you will not directly or indirectly solicit or encourage any investor, business partner or vendor of the Company or any of its Affiliates to terminate or diminish its relationship with them.

9. **Enforcement.** In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under Sections 6, 7 and 8 hereof and Sections 6, 7 and 8 of the Employee Agreement (the "Restrictive Covenants"). You agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the Restrictive Covenants, the damage to the Company and its Affiliates would be irreparable. You therefore agree that if you breach any of the Restrictive Covenants, the Company, in addition to any other remedies available to it including those set forth in Section 10 hereof, shall be entitled to (i) immediately cease all consideration provided under this Agreement (including, without limitation, continued vesting of your equity awards pursuant to Section 3(a) of this Agreement) and all compensation and benefits provided under the Separation Agreement (including, without limitation, any severance payments, benefits and equity) and (ii) preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond, together with an award of its reasonable attorney's fees incurred in enforcing its rights hereunder. So that the Company may enjoy the full benefit of the Restrictive Covenants, you further agree that the restricted period shall be tolled, and shall not run, during the period of any breach by you of any of the Restrictive Covenants. You and the Company further agree that, in the event that any provision of the Restrictive Covenants are determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement including, without limitation, pursuant to the Restrictive Covenants. Finally, no claimed breach of this Agreement or other violation of law attributed to the Company, or change in the nature or scope of your relationship with the Company, shall operate to excuse you from the performance of your obligations under the Restrictive Covenants.

10. **Termination.**

(a) This Agreement and your Services may be terminated by you or the Company upon thirty (30) days' written notice to the other, except that the Company may terminate this Agreement immediately for Cause. For purposes of this Agreement, and in each case as determined by the Compensation Committee of the Company's Board of Directors in its sole and reasonable discretion, the following will constitute "Cause": (i) your indictment or conviction for either any felony offense or any other crime involving dishonesty; (ii) your participation in any fraud, theft, embezzlement or other misconduct or act of dishonesty involving the Company or any of its subsidiaries; (iii) your intentional damage to any property of the Company or any of its subsidiaries; (iv) your breach of the duty of good faith and fair dealing that you owe to the Company or any of its subsidiaries; (v) your breach or violation of any agreement with the Company or any of its subsidiaries, including, without limitation, your Employee Agreement; (vi) any conduct by you that in the good faith and reasonable determination of the Board of Directors demonstrates gross unfitness to serve; (vii) your failure to comply with the code of conduct of the Company or any of its subsidiaries or any other policies of the Company that have been approved by the Board of Directors or its authorized delegate; (viii) your insubordination or failure to follow the directions of the Board of Directors or of the Chief Executive Officer of the Company; or (ix) any other conduct by you that could be expected to be harmful to the business, interests or reputation of the Company or any of its subsidiaries. Upon termination of this Agreement by you for convenience or by the Company for Cause, the unvested portions of your equity awards shall immediately terminate without payment of consideration therefor and any and all other consideration provided under this Agreement (including, without limitation, continued vesting of your equity awards pursuant to Section 3(a) of this Agreement) and all compensation and benefits provided under the Separation Agreement (including, without limitation, any severance payments, benefits and equity) shall immediately cease. Upon termination of this Agreement, the Consulting Period shall end and the Company shall have no further obligation to you, other than for payment of un-reimbursed expenses that were pre-approved and are satisfactorily documented.

(b) Notwithstanding the provisions of the Company's equity plans or any applicable equity award to the contrary, the following rules will apply to your equity awards upon the termination of this Agreement, the Consulting Period and your Services. All equity awards that are unvested on the date this Agreement ends shall, after giving effect to any accelerated vesting pursuant to Section 3(a) above, immediately terminate without payment of consideration therefor.

(i) Subject to (ii) and (iii) below, each stock option that is vested and exercisable on the date this Agreement and the Consulting Period ends upon termination by the Company other than for Cause or upon expiration of the Agreement by its terms at the end of the twenty-four (24) month period beginning on the Effective Date (after giving effect to the accelerated vesting in Section 3(a) above) will remain exercisable until the earlier of (i) the last day of the twelve (12)-month period beginning on the last day of the Consulting Period or (ii) the expiration of the term of the stock option as set forth in the applicable stock option agreement, and will thereupon terminate.

(ii) Each stock option that is vested and exercisable on the date of your death (after giving effect to the accelerated vesting in Section 3(a) above) will remain exercisable by your estate or a person who acquired the right to exercise such stock option by bequest or inheritance until the earlier of (i) the last day of the one (1)-year period ending with the first anniversary of your death or (ii) the expiration of the term of the stock option as set forth in the applicable stock option agreement, and will thereupon terminate.

(iii) Each stock option that is vested and exercisable on the date the Consulting Period ends upon termination of this Agreement by you for convenience or by the Company for Cause will remain exercisable until the earlier of (i) the last day of the ninety (90)-day period beginning on the last day of the Consulting Period or (ii) the expiration of the term of the stock option as set forth in the applicable stock option agreement, and will thereupon terminate.

11. **Survival.** Provisions of this Agreement shall survive any termination if so provided herein or if necessary or desirable to accomplish the purposes of other surviving provisions.

12. **Governing Law/Dispute Resolution.** This Agreement shall be governed and construed, and the rights and obligations of the parties hereto shall be determined, in accordance with the laws of the State of Ohio, without regard to its conflicts of law principles.

13. **Notices.** Any and all notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be effective when delivered in person, consigned to a reputable national courier service or deposited in the United States mail, postage prepaid, registered or certified, and addressed as follows:

Consultant:

Robert Shalwitz, M.D.
2549 Bryden Rd
Bexley, OH 43209

Company:

Akebia Therapeutics, Inc.
Attention: Chief Executive Officer
245 First Street, Suite 1100
Cambridge, MA 02142

with a copy to:

Akebia Therapeutics, Inc.
Attention: General Counsel
245 First Street, Suite 1100
Cambridge, MA 02142

14. **Definitions.** Words or phrases which are initially capitalized or are within quotation marks shall have the meanings provided in this Section and as provided elsewhere herein. For purposes of this Agreement, the following definitions apply:

- (a) **"Affiliates"** means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, equity interest or otherwise.
- (b) **"Confidential Information"** shall have the definition set forth in the Employee Agreement.
- (c) **"Intellectual Property"** shall have the definition set forth in the Employee Agreement.
- (d) **"Change of Control"** means the occurrence of any of the following events other than in connection with the consummation of an initial public offering of the Company's securities:
 - (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) who is not a shareholder of the Company as of the date of this Agreement or an affiliate thereof is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities;
 - (ii) a change in the composition of the Board occurring within a two-year period, as a result of which less than a majority of the directors are Incumbent Directors. "Incumbent Directors" will mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the remaining Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company);
 - (iii) the date of the consummation of a merger, scheme of arrangement or consolidation of the Company with any other corporation that has been approved by the stockholders of the Company, other than a merger, scheme of arrangement or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
 - (iv) the date of the consummation of the sale or disposition by the Company of all or substantially all the Company's assets.

Notwithstanding the foregoing, a transaction will not constitute a Change in Control if: (a) its sole purpose is to change the domicile of the Company's incorporation; or (b) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In all respects, the definition of Change in Control shall be interpreted to comply with Code Section 409A, and any successor statute, regulation and guidance thereto.

15. **Severability.** If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

16. **Miscellaneous.** This Agreement contains the entire agreement between you and the Company, and replaces all prior agreements between you and the Company, whether written or oral, other than the Employee Agreement, the Separation Agreement and, except as otherwise explicitly modified herein or in the Separation Agreement, the award agreements evidencing all prior equity awards, with respect to the Services to be provided by you to the Company pursuant to this Agreement. This Agreement may not be amended and no breach will be waived unless agreed in a signed writing by you and an authorized officer of the Company.

If the terms of this Agreement are acceptable to you, please sign, date and return it to me. The Agreement will take effect as a legally-binding agreement between you and the Company as of the Effective Date.

Very truly yours,

/s/ John P. Butler

John P. Butler

President and Chief Executive Officer

Accepted and agreed:

/s/ Robert Shalwitz

Robert Shalwitz, M.D.

Date: August 5, 2014

Exhibit A

Employee Agreement

EMPLOYEE AGREEMENT

**CONFIDENTIALITY, NON-SOLICITATION,
NON-COMPETITION AND DEVELOPMENTS AGREEMENT**

In consideration of my employment and/or continued employment by Akebia Therapeutics, Inc. (“Akebia” or “the Company”), my access to Akebia confidential and proprietary business information, and the discretionary grant to me of equity in the Company, I hereby covenant and agree with the Company as follows:

1. **Term of Agreement:** The term of this Agreement shall be for a period commencing on the date hereof and ending twelve (12) months after the date on which my employment with the Company terminates for any reason, whether voluntarily or involuntarily (hereafter, the “Term”).

2. **Exclusivity of Services:** During the period of my employment by the Company, I shall devote my full time and best efforts to the business of the Company and I shall neither pursue, directly or indirectly, alone or as a partner, joint venturer, officer, director, employee, consultant, agent, independent contractor or stockholder of any company or business, any business opportunity outside the Company, nor take any position with any organization other than the Company, without the written approval of the Chief Executive Officer of the Company.

3. **Confidentiality / Non-Disclosure**

(a) During the term of my employment by the Company and at any time following the termination of my employment by the Company for any or no reason, whether voluntary or involuntary, with or without cause, I will not, without the express prior written consent of the Company, disclose to others, use or publish (other than as may be required by my duties while employed by the Company in the ordinary course of the Company’s business) any proprietary, secret or confidential information of the Company (“Confidential Information”), which for the purposes hereof shall include, without limitation, information designated by the Company as “proprietary,” “secret,” or “confidential” (or otherwise similarly designated) or information which is not generally known to those outside of the Company detailing, listing, describing or otherwise relating to:

(i) the business, conduct or operations of the Company or any of the Company’s customers, licensors, licensees, collaborators, suppliers, vendors, or consultants, including (without limitation) customer lists and customer contact information; manufacturing, development and other technical methodologies, processes and applications; production schedules; financial plans, information and data; pricing information; business and/or product development plans; marketing plans; drug formulations; and clinical trial data (including, without limitation, the identity of and information about trial participants; trial results; and related regulatory actions or inactions);

(ii) any materials, devices, processes, methods, know-how, ways of business, programs, formulae, compositions, compounds, technology, intellectual property, inventions, research, development and the like, used in organizing, researching, developing, promoting, managing or exploiting the Company’s products or product candidates; or

(iii) the existence or betterment of, or possible new uses or applications for, any of the Company’s products or product candidates.

I acknowledge that the obligations of confidentiality set forth in this Section 3 extend to any proprietary information of any third parties contracting with the Company, whether or not the Company has undertaken an express obligation of confidentiality with regard to such parties.

(b) I acknowledge that the Company is now and may hereafter be subject to non-disclosure or confidentiality agreements with third persons pursuant to which the Company must protect or refrain from use of proprietary information which is the property of such third persons. I hereby agree upon the direction of the Company to be bound by the terms of such agreements in the event I have access to the proprietary information protected thereunder to the same extent as if I was an original individual signatory thereto.

4. **Return of Property:** Upon the termination of my employment (and regardless of whether such termination is voluntary or involuntary), I will promptly return to the Company all of its property, including but not limited to all Confidential Information, documents, data and files (whether in electronic or hard copy form, and all copies and drafts thereof); keys, access card or badges; Company-issued credit cards; computers, cell phones or PDAs; and any other tangible equipment. By signing below, I authorize the Company to deduct from my final paycheck the cost of replacing any property that I fail to return.

5. Assignment of Rights to Intellectual Property

(a) I agree that during my employment I shall not make, use or permit to be used any notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, intellectual property, data, documentation or other materials of any nature relating to any matter within the scope of the business of the Company or concerning any of its dealings or affairs other than for the benefit of the Company. I further agree that I shall not, after the termination of my employment (regardless of whether such termination is voluntary or involuntary), use or permit to be used any such notes, memoranda, reports, lists, records, drawings, sketches, specifications, software and/or hardware programs, intellectual property, data, documentation or other materials, it being agreed that all of the foregoing shall be and remain the sole and exclusive property of the Company and that immediately upon the termination of my employment I shall deliver all of the foregoing, and all copies thereof, to the Company, at its main office or at my assigned work location.

(b) If at any time or times during my employment I shall (either alone or with others) develop intellectual property (whether or not patentable or registrable under copyright or similar statutes or subject to analogous protection; hereinafter "Intellectual Property"), such Intellectual Property and the benefits thereof shall immediately become the sole and absolute property of the Company and its assigns, and I shall promptly disclose to the Company (or any persons designated by it) such Intellectual Property and hereby assign any rights I may have or acquire in the Intellectual Property and benefits and/or rights resulting therefrom to the Company and its assigns without further compensation and shall communicate, without cost or delay, and without publishing the same, all available information relating thereof (with all necessary plans and models) to the Company.

(c) Upon disclosure of such Intellectual Property to the Company, I will, during my employment and at any time thereafter, at the request and cost of the Company, sign, execute, make and do all such deeds, documents, acts and things as the Company and its duly authorized agents may reasonably require to:

(i) apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(ii) defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection.

In the event the Company is unable, after reasonable effort, to secure my signature on any letters patent, copyright or other analogous protection relating to Intellectual Property, whether because of my physical or mental incapacity or for any other reason whatsoever, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and in my behalf and stead to execute and file any such application or applications and to do all other lawfully permitted acts and to further the prosecution and insurance of letters patent, copyright or other analogous protection thereon with the same legal force and effect as if executed by me.

(d) I represent that the Intellectual Property identified in *Exhibit A* hereto comprises all the Intellectual Property which I have developed prior to my employment by the Company, which Intellectual Property is excluded from this Agreement ("Prior Development"). I understand that it is only necessary to list the title and purpose of such Intellectual Property but not details thereof.

(e) If, in the course of my employment with the Company, I incorporate a Prior Development into any product or service offered or sold by the Company, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, import, modify, use, offer to sell, and sell such Prior Development. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Developments in any Products without the Company's prior written consent.

6. Non-Competition: During the Term, I will not, without the Company's prior written consent, directly or indirectly: (a) become employed by or render any service to any person or entity that competes with the Business of the Company; or (b) alone or as a partner, joint venturer, officer, director, employee, consultant, agent, independent contractor or stockholder of any company or business, engage in any business activity that directly or indirectly competes with any of the products being developed, marketed, distributed, planned, sold or otherwise provided by the Company at such time. For the purpose of this Agreement, the "Business of the Company" means the research, development, licensing and/or commercialization of one or more products (i) related to the treatment of anemia and related conditions and/or (ii) based on hypoxia-inducible factor (HIF) biology or hypoxia-inducible factor prolyl hydroxylase (HIF-PH) biology. The foregoing, however, shall not prevent (A) your passive ownership of two percent (2%) or less of the equity securities of any publicly traded company or (B) your provision of consulting services to Aerpio Therapeutics, Inc., but only to the extent your provision of such services does not otherwise violate the provisions of this Agreement.

7. Non-Solicitation of Employees: During the Term, I will not, directly or indirectly, in any way encourage, induce or solicit (or attempt to encourage, induce or solicit) any employee, consultant or independent contractor to terminate his, her or its relationship with the Company.

8. Non-Solicitation of Certain Third Parties: I understand and agree that the relationship between the Company and certain third parties constitutes a valuable asset of the Company and may not be converted to my own use. Accordingly, during the Term, I will not, directly or indirectly (i) call-on, solicit, divert, take away or do business with (or in any manner attempt to call-on, solicit, divert, take away or do business with) any past, present or prospective customer, account, collaborator, licensee or other business relation of the Company with whom I interacted or learned of during my employment with the Company; (ii) in any way interfere with the relationship between any such customer, account, collaborator, licensee or business relation and the Company; or (iii) solicit or encourage any customer, account, collaborator, licensee or other business relation of the Company to terminate or diminish its relationship with the Company.

9. No Conflicting Obligations: I hereby represent that, except as I have disclosed in writing to the Company, I am not a party to, or bound by the terms of, any agreement with or obligation to any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of my employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. I further represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement or obligation to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to or during my employment with the Company, and I will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others. By signing below, I acknowledge that the Company has instructed me not to bring to the Company's premises, install on any Company computer, use, or disclose any confidential information belonging to a third party during my employment with the Company.

10. Remedies for Breach: I agree that my breach of any covenant in this Agreement will cause irreparable damage to the Company and that, in the event of such breach, the Company shall have, in addition to any and all remedies of law, the right to an injunction, specific performance or other equitable relief to prevent the violation of my obligations hereunder. I understand and agree that in the event I breach any of the covenants contained herein during the Term, the Term shall be extended automatically. The duration of such extension shall equal the period of time between the date I began such violation and the date I permanently cease such violation. I further understand and agree that in the event I breach or fail to honor any term of this Agreement, and the Company is successful in whole or in part in any legal or equitable action to defend its rights under or to enforce any terms of this Agreement, I shall be required to reimburse the Company for all costs, expenses and reasonable attorneys' fees associated with such action.

11. Employment at Will: I acknowledge and agree that this Agreement does not constitute an express or implied employment contract and that my employment with the Company will be on an "at-will" basis. Accordingly, I understand that this Agreement does not create an obligation on the Company or any other person or entity to continue my employment and that either the Company or I may terminate my employment at any time, for any or no reason, with or without cause.

12. Modification and Waiver: Any amendment to or modification of this Agreement, and any waiver of any provision hereof, shall be valid only if set forth in a writing signed by the Chief Executive Officer of the Company. Any waiver by the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach hereof.

13. Severability: I hereby agree that each provision herein shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject so as to be unenforceable at law, such provision or provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the maximum extent compatible with applicable law.

14. Applicable Law / Jurisdiction / Jury Waiver: This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to the conflicts of laws principles thereof. In addition, I acknowledge that because I will have regular interaction with Company representatives based in Massachusetts, any dispute concerning this Agreement shall be heard by a court of competent jurisdiction within Massachusetts. By signing below, I acknowledge that I am subject to the personal jurisdiction of the Massachusetts courts in any county where the Company has operations or facilities. Both parties further agree that any such dispute shall be tried by a judge alone, and both parties hereby waive and forever renounce the right to a trial before a civil jury in any such dispute.

15. Successors and Assigns: The term "Company" shall include Akebia Therapeutics, Inc. and any of its subsidiaries, subdivisions or affiliates. The Company shall have the right to assign this Agreement to its successors and assigns, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by said successors or assigns.

16. Survival / Changes in Role or Title: I acknowledge that my covenants in this Agreement are given in exchange for, among other things, my employment and the terms and conditions of such employment. My covenants are not tied to my present role, title or responsibilities. Therefore, the covenants in this Agreement shall survive any change in my role, title, responsibilities, compensation, benefits, or any other term or condition of my employment.

17. Notification of New Employers: During the Term I hereby agree to provide a copy of this Agreement to any employer or prospective employer, and I hereby authorize the Company to provide copies of this Agreement to any person or entities that may or does employ or do business with, or consider employing or doing business with, me in the future.

18. Entire Agreement: This Agreement supersedes any and all prior oral and/or written agreements, and sets forth the entire agreement, between you and the Company with respect to the subject matter hereof.

Very truly yours,

/s/ John P. Butler

John P. Butler

Chief Executive Officer

Intending to be legally bound hereby, I have signed this Agreement under seal as of the day and year written below.

AGREED TO AND ACCEPTED

By: /s/ Robert Shalwitz Date: February 10, 2014

Name: Robert Shalwitz

Alternative to Exhibit A

Employee Agreement

TO: Akebia Therapeutics

FROM: Robert Shalwitz, MD

DATE: February 9, 2014

Subject: Previous and Ongoing Inventions

Dr. Shalwitz is involved with extensive previous and ongoing discovery and invention at Robert's Remedies, LLC and Aerpio Therapeutics, Inc.

Robert's Remedies, LLC focuses on the areas of yeast and probiotic extracts for various cosmetic and therapeutic purposes. There is no existing or known overlap between the research for Robert's Remedies and Akebia Therapeutics, Inc.

Aerpio Therapeutics, Inc. focuses on research on HPTP β , TIE-2, and HIF-1 α . There is potential overlap between the companies on the HIF research, though the compounds used to achieve HIF stabilization are distinct between the two companies. Dr. Shalwitz is actively involved in research on Aerpio's AKB-4924 for which there is presently active patenting in the areas of topical therapy for various indications. The research for these discoveries is funded directly by Aerpio Therapeutics, Inc. or indirectly by the US National Institutes for Health and/or the US Department of Defense.

Acknowledged:

/s/ Robert Shalwitz

Robert Shalwitz, Sr. VP and CMO
Akebia Therapeutics, Inc.

/s/ John Butler

John Butler, CEO
Akebia Therapeutics, Inc.

EXHIBIT A

PREVIOUS INVENTIONS

TO: **Akebia Therapeutics, Inc.**

FROM: _____

DATE: _____

SUBJECT: **Previous Inventions**

1. Except as listed in Section 2 below, the following is a complete list of all inventions, copyrighted works or improvements relevant to the subject matter of my employment by **Akebia Therapeutics, Inc.** (the "**Company**") that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

No inventions or improvements.

See below:

Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement	Party(ies)	Relationship
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

Additional sheets attached.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEYACT OF 2002

I, John P. Butler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akebia Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2014

By: /s/ John P. Butler

John P. Butler
President, Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEYACT OF 2002

I, Jason A. Amello, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akebia Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2014

By: /s/ Jason A. Amello

Jason A. Amello
Senior Vice President, Chief Financial Officer and
Treasurer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. Section 1350)

In connection with the accompanying Quarterly Report of Akebia Therapeutics, Inc. (the Company) on Form 10-Q for the fiscal quarter ended September 30, 2014 (the Report), I, John P. Butler, as Chief Executive Officer and President of the Company, and I, Jason A. Amello, as Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 10, 2014

By: /s/ John P. Butler
John P. Butler
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 10, 2014

By: /s/ Jason A. Amello
Jason A. Amello
Senior Vice President, Chief Financial Officer and
Treasurer
(Principal Financial Officer)



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November 10, 2014

Akebia Announces Third Quarter 2014 Financial Results

-Advancing Toward Global Phase 3 Registration Studies in 2015 Following Positive Top-Line Results from Phase 2b Study of AKB-6548-

CAMBRIDGE, Mass.—(BUSINESS WIRE)— Akebia Therapeutics, Inc. (NASDAQ:AKBA), a biopharmaceutical company focused on delivering innovative therapies to patients with kidney disease through the biology of hypoxia inducible factor (HIF), today announced financial results for the third quarter ended September 30, 2014.

“In recent months, we have made substantial progress with our development program for AKB-6548 in renal anemia, most significantly, reporting positive top-line data from our Phase 2b study in non-dialysis patients with chronic kidney disease, or CKD. This result provides a clear path forward into Phase 3 registration studies next year,” stated John P. Butler, President and Chief Executive Officer of Akebia. “The findings from that study confirmed that our once-daily, oral therapy can safely and predictably increase and maintain hemoglobin levels in this very ill patient population, and reinforce our confidence in the candidate’s best-in-class potential. We are in a strong financial position to advance our ongoing Phase 2 study for AKB-6548 in CKD patients undergoing dialysis and to launch our global registration program. We look forward to discussing the Phase 2b study results with U.S. and European regulatory agencies in preparation for launching Phase 3 registration studies.”

Third Quarter and Recent Corporate Highlights

- Announced positive top-line results from its Phase 2b study of AKB-6548 in non-dialysis patients with anemia related to chronic kidney disease
- Initiated Phase 2 development of AKB-6548 for the treatment of anemia in patients undergoing dialysis, with results expected in the third quarter of 2015
- Strengthened the Board of Directors with the addition of Ronald C. Renaud, Jr., former President and Chief Executive Officer of Idenix Pharmaceuticals, Inc.
- Completed a thorough QT (TQT) study demonstrating that AKB-6548 does not have an adverse effect on cardiac repolarization or conduction

Third Quarter 2014 Financial Results

Akebia reported a net loss and a net loss applicable to common stockholders of \$9.3 million, or (\$0.47) per share, for the third quarter of 2014. Net loss applicable to common stockholders for the third quarter of 2013, which includes accretion on preferred stock of \$2.7 million, was \$6.5 million or (\$11.92) per share. In connection with the closing of the Company’s initial public offering on March 25, 2014, all of the Company’s outstanding shares of preferred stock were converted into shares of common stock.

Research and development expenses were \$6.6 million for the third quarter of 2014 compared to \$3.2 million for the third quarter of 2013. The increase of \$3.4 million in research and development expenses is primarily attributable to costs related to AKB-6548 including, costs related to Phase 2 clinical development of AKB-6548 and the manufacture of drug

substance and drug product. Research and development costs were further increased by stock-based compensation, wage and personnel-related costs due to increased headcount and drug development costs for AKB-6899.

General and administrative expenses were \$2.9 million for the third quarter of 2014 compared to \$0.8 million for the third quarter of 2013. The increase of \$2.1 million in general and administrative expenses is primarily related to an increase in wage and personnel related costs due to increased headcount, increased professional fees and commercial planning costs as well as increased stock-based compensation expense of \$0.5 million.

The increased stock-based compensation expense in both research and development expenses and general and administrative expenses is primarily a result of an increase in the value of the Company's common stock due to the Company's initial public offering.

The Company's cash used in operations during the third quarter of 2014 was \$5.6 million, an increase of \$2.7 million from \$2.9 million for the same period of 2013. The Company ended the third quarter of 2014 with cash, cash equivalents and short-term investments of \$118.3 million and expects its existing cash resources to support operations through the first half of 2016.

About Akebia Therapeutics

Akebia Therapeutics, Inc. is a biopharmaceutical company headquartered in Cambridge, Massachusetts, focused on delivering innovative therapies to patients with kidney disease through HIF biology. Akebia's lead clinical program, AKB-6548, is a once-daily, oral therapy, which has completed a Phase 2b study in non-dialysis patients with anemia related to CKD and is in Phase 2 development for the treatment of anemia in patients undergoing dialysis, serious medical conditions that lead to increased morbidity and mortality if left untreated. For more information on Akebia, please visit www.akebia.com.

Forward-Looking Statements

This press release includes forward-looking statements. Such forward-looking statements include those about Akebia's strategy, future plans and prospects, including statements regarding the potential indications and benefits of AKB-6548, the development plan for the Phase 2 study in dialysis patients with anemia related to CKD, the development plan for Phase 3 including discussions with regulatory authorities, and the potential of AKB-6548 to be a "best-in-class" product. The words "anticipate," "appear," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement, including the risk that existing preclinical and clinical data may not be predictive of the results of ongoing or later clinical trials; the ability of Akebia to successfully complete the clinical development of AKB-6548; the funding required to develop Akebia's product candidates and operate the company, and the actual expenses associated therewith; the timing and content of decisions made by the FDA and other regulatory authorities; the rate of enrollment in the Phase 2 study; the actual time it takes to complete the Phase 2 study and analyze the data; the success of competitors in developing product candidates for diseases for which Akebia is currently developing its product candidates; and Akebia's ability to obtain, maintain and enforce patent and other intellectual property protection for AKB-6548. Other risks and uncertainties include those identified under the heading "Risk Factors" in Akebia's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, and other filings that Akebia may make with the Securities and Exchange Commission in the future. Akebia does not undertake, and specifically disclaims, any obligation to update any forward-looking statements contained in this press release.

Tables Follow:

AKEBIA THERAPEUTICS, INC.
Condensed Statements of Operations
(in thousands except share and per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue	\$ —	\$ —	\$ —	\$ —
Operating expenses:				
Research and development	6,648	3,240	18,330	7,591
General and administrative	2,936	794	9,003	2,141
Total operating expenses	9,584	4,034	27,333	9,732
Operating loss	(9,584)	(4,034)	(27,333)	(9,732)
Other income, net	236	266	669	2,513
Net loss and comprehensive loss	\$ (9,348)	\$ (3,768)	\$ (26,664)	\$ (7,219)
Reconciliation of net loss to net loss applicable to common stockholders:				
Net loss	\$ (9,348)	\$ (3,768)	\$ (26,664)	\$ (7,219)
Accretion on preferred stock		(2,748)	(86,899)	(52,862)
Loss on extinguishment of preferred stock	—	—	—	—
Net loss applicable to common stockholders	\$ (9,348)	\$ (6,516)	\$ (113,563)	\$ (60,081)
Net loss per share applicable to common stockholders—basic and diluted	\$ (0.47)	\$ (11.92)	\$ (8.16)	\$ (117.94)
Weighted-average number of common shares used in net loss per share applicable to common stockholders—basic and diluted	19,691,167	546,714	13,920,651	509,425

AKEBIA THERAPEUTICS, INC.
Selected Balance Sheet Data
(in thousands)
(unaudited)

	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Cash, cash equivalents and short-term investments	\$ 118,338	\$ 32,556
Working capital	113,318	29,529
Total assets	120,170	34,665
Total stockholders' equity (deficit)	113,614	(127,072)

Investors:

Nicole P. Jones
Senior Director, Investor Relations and Corporate Communications
Tel: +1 617-871-1210
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Media:

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