

AQUINOX PHARMACEUTICALS, INC

Form DEF 14A

March 27, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

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

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to § 240.14a-12

Aquinox Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

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☐ Fee paid previously with preliminary materials.

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6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

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AQUINOX PHARMACEUTICALS, INC.

450 - 887 Great Northern Way,

Vancouver, B.C.

Canada, V5T 4T5

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 11, 2015

Dear Aquinox Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Aquinox Pharmaceuticals, Inc., a Delaware corporation (the ***Company***). The meeting will be held on Monday, May 11, 2015 at 1:00 p.m. local time at the offices of Cooley LLP, 1700 Seventh Avenue, Suite 1900, Seattle, Washington 98101-1355 for the following purposes:

1. To elect the two nominees for director named herein to the Board of Directors to hold office until the 2018 Annual Meeting of Stockholders.
2. To ratify the selection by the Audit Committee of the Board of Directors of Deloitte LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015.
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the proxy statement accompanying this Notice.

The record date for the Annual Meeting is March 19, 2015. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

Kamran Alam
Chief Financial Officer,
Vice President, Finance and Corporate
Secretary

Vancouver, B.C.

March 27, 2015

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You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please vote over the internet or by telephone, or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card, as promptly as possible in order to ensure your representation at the meeting. Voting instructions are provided in the Notice of Internet Availability of Proxy Materials, or, if you receive a proxy card by mail, the instructions are printed on your proxy card and included in the accompanying proxy statement. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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AQUINOX PHARMACEUTICALS, INC.

450 - 887 Great Northern Way,

Vancouver, B.C.

Canada, V5T 4T5

PROXY STATEMENT

FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS

May 11, 2015

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why did I receive a notice regarding the availability of proxy materials on the internet?

Pursuant to rules adopted by the Securities and Exchange Commission (the **SEC**), we have elected to provide access to our proxy materials over the internet. Accordingly, we have sent you a Notice of Internet Availability of Proxy Materials (the **Notice**) because the Board of Directors of Aquinox Pharmaceuticals, Inc. (the **Company**, **Aquinox**, we, us or our) is soliciting your proxy to vote at the 2015 Annual Meeting of Stockholders (the **Annual Meeting**), including at any adjournments or postponements of the meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice.

We intend to mail the Notice on or about March 27, 2015 to all stockholders of record entitled to vote at the Annual Meeting.

Will I receive any other proxy materials by mail?

We may send you a proxy card, along with a second Notice, on or after April 7, 2015.

How do I attend the Annual Meeting?

The meeting will be held on Monday, May 11, 2015 at 1:00 p.m. local time at the offices of Cooley LLP, 1700 Seventh Avenue, Suite 1900, Seattle, Washington 98101-1355. For directions, please call the offices of Cooley LLP at 206.452.8700. Information on how to vote in person at the meeting is discussed below.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on March 19, 2015 will be entitled to vote at the Annual Meeting. On this record date, there were 10,717,128 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on March 19, 2015 your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy over the telephone, through the internet or by using a proxy card that you may request or that we may elect to deliver at a later time. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on March 19, 2015 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and the Notice is being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

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What am I voting on?

There are two matters scheduled for a vote:

Election of two directors; and

Ratification of selection by the Audit Committee of the Board of Directors of Deloitte LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015.

What if another matter is properly brought before the meeting?

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

How do I vote?

You may either vote For or Against or abstain from voting for each nominee to the Board of Directors. For the ratification of the selection of Deloitte LLP as the Company's independent registered public accounting firm, you may vote For or Against or abstain from voting.

The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting, vote by proxy over the telephone, vote by proxy through the internet or vote by proxy using a proxy card that you may request or that we may elect to deliver at a later time. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the proxy card that may be delivered and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-PROXIES (1-800-776-9437) using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the Notice. Your telephone vote must be received by 11:59 p.m., Eastern Time, on May 10, 2015 to be counted.

To vote through the internet, go to <http://www.voteproxy.com> to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice. Your internet vote must be received by 11:59 p.m., Eastern Time, on May 10, 2015 to be counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a Notice containing voting instructions from that organization rather than from us. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

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Internet proxy voting will be provided to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of March 19, 2015.

What happens if I do not vote?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the internet or in person at the Annual Meeting, your shares will not be voted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the particular proposal to be a routine matter. Brokers and nominees can use their discretion to vote uninstructed shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of various national and regional securities exchanges, non-routine matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation (including any advisory stockholder votes on executive compensation and on the frequency of stockholder votes on executive compensation), and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on the election of either nominee for directors without your instructions, but may vote your shares on the ratification of the selection of Deloitte LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015 without your instructions.

What if I return a proxy card or otherwise vote but do not make specific choices?

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, For the election of both nominees for director and For the ratification of the selection by the Audit Committee of the Board of Directors of Deloitte LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one Notice?

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the Notices to ensure that all of your shares are voted.

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Can I change my vote after submitting my proxy?

Stockholder of Record: Shares Registered in Your Name

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit another properly completed proxy card with a later date.

You may grant a subsequent proxy by telephone or through the internet.

You may send a timely written notice that you are revoking your proxy to our Corporate Secretary at 450 - 887 Great Northern Way, Vancouver, B.C., Canada, V5T 4T5.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

Your most current proxy card or telephone or internet proxy is the one that is counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals and director nominations due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by November 28, 2015, to our Corporate Secretary at 450 - 887 Great Northern Way, Vancouver, B.C., Canada, V5T 4T5, and must comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the ***Exchange Act***); *provided, however*, that if our 2016 Annual Meeting of Stockholders is held before April 11, 2016 or after June 10, 2016, then the deadline is a reasonable amount of time prior to the date we begin to print and mail our proxy statement for the 2016 Annual Meeting of Stockholders. If you wish to submit a proposal (including a director nomination) at the 2016 Annual Meeting of Stockholders that is not to be included in next year's proxy materials, the proposal must be received by our Corporate Secretary not later than the close of business on February 11, 2016 nor earlier than the close of business on January 12, 2016; *provided, however*, that if our 2016 Annual Meeting of Stockholders is held before April 11, 2016 or after June 10, 2016, then the proposal must be received no earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. You are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count, for the proposal to elect directors, votes For, Against, abstentions and broker non-votes; and, with respect to the proposal to ratify the selection of Deloitte LLP as the Company's independent registered public accounting firm, votes For, Against and abstentions.

What are broker non-votes ?

As discussed above, when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed to be non-routine, the broker or nominee cannot vote the shares. These unvoted shares are counted as broker non-votes.

How many votes are needed to approve each proposal?

For the election of directors, the two nominees to serve until the 2018 Annual Meeting of Stockholders receiving the most For votes from the holders of shares present in person or represented by proxy and entitled to vote on the election of directors will be elected. Only votes For or Against will affect the outcome.

To be approved, Proposal No. 2, ratification of the selection of Deloitte LLP as the Company's independent registered public accounting firm for the year ending December 31, 2015, must receive For votes from the holders

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of a majority of shares present in person or represented by proxy and entitled to vote on the matter. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect, however, Proposal No. 2 is considered a routine matter, and therefore no broker non-votes are expected to exist in connection with Proposal No. 2.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares entitled to vote are present at the meeting in person or represented by proxy. On the record date, there were 10,717,128 shares outstanding and entitled to vote. Thus, the holders of 5,358,564 shares must be present in person or represented by proxy at the Annual Meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the Annual Meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an amended Form 8-K to publish the final results.

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Our Board of Directors is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified.

The Board of Directors presently has six members. There are two Class I directors whose term of office expires in 2015. If elected at the Annual Meeting, each of these nominees would serve until the 2018 annual meeting and until his successor has been duly elected and qualified, or, if sooner, until the director's death, resignation or removal. It is the Company's policy to invite directors and nominees for director to attend the Annual Meeting. Because we completed our initial public offering in March 2014, we did not hold an Annual Meeting of Stockholders in 2014.

The following table sets forth information with respect to our directors, including the two nominees for election at the Annual Meeting, as of February 28, 2015:

Name	Age	Director Since	Position
<i>Class I Directors Nominees for Election at the Annual Meeting</i>			
David Main	50	December 2005	Co-Founder, President and Chief Executive Officer and Chairman of the Board, Aquinox
Sean Nolan	47	February 2015	Director
<i>Class II Directors Continuing in Office until the 2016 Annual Meeting</i>			
Daniel Levitt	67	July 2008	Director
Gary Bridger	52	October 2013	Director
<i>Class III Directors Continuing in Office until the 2017 Annual Meeting</i>			
Robert Pelzer	61	July 2013	Lead Independent Director
Todd Simpson	54	January 2014	Director

Each of the nominees was recommended for election by the Nominating and Corporate Governance Committee of the Board of Directors. Each of the nominees is currently a director of the Company. Mr. Main was appointed to the Board of Directors prior to our initial public offering by the then current members of the Board of Directors to fill a vacant seat, and Mr. Nolan was appointed to the Board of Directors on February 16, 2015 by the then current members of the Board of Directors to fill a vacant seat.

Directors are elected by a plurality of the votes of the holders of shares of common stock present in person or represented by proxy and entitled to vote on the election of directors. Accordingly, the two nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees. If any nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for that nominee will instead will be voted for the election of a substitute nominee proposed by Aquinox. Each person nominated for election has agreed to serve if

elected. The Company's management has no reason to believe that any nominee will be unable to serve.

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2018 ANNUAL MEETING

David J. Main, one of our co-founders, has served as our President, Chief Executive Officer, and a member of our Board of Directors since December 2005 and as Chairman of our Board of Directors since January 2014. From September 1996 to June 2005, Mr. Main held various positions at INEX Pharmaceuticals Corp., a biopharmaceutical company, serving as President and Chief Executive Officer from July 1999 to June 2005 and as Vice President,

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Corporate Development from September 1996 to July 1999. While President and Chief Executive Officer, Mr. Main led the transformation of INEX from a research driven to a product focused biopharmaceutical company, advancing product development to the NDA stage and securing several significant pharmaceutical partnerships and over \$100 million in equity financings. From 1990 to 1996, Mr. Main held various positions at QLT Inc., a pharmaceutical company, most recently serving as Vice President. Mr. Main was formerly a licensed pharmacist at the Royal Columbian Hospital in New Westminster, B.C. Mr. Main holds a B.Sc. in Pharmacy and an M.B.A. from the University of British Columbia. Mr. Main previously served on the board of directors of LifeSciences BC, a non-profit industry association. Mr. Main also serves on the board of directors for BIOTEC Canada, a Canadian industry association, and Discovery Parks Trust, a not-for-profit association, and most recently, bio.org, a U.S. industry association.

The Nominating and Corporate Governance Committee believes that Mr. Main is qualified to serve on our Board of Directors because he is a co-founder, our Chief Executive Officer and has extensive experience in the pharmaceutical industry.

Sean Nolan has served as a member of our Board of Directors since February 2015. Since February 2013, Mr. Nolan has served as Executive Vice President and Chief Business Officer of InterMune, Inc., a pharmaceutical company. From August 2011 to December 2012, Mr. Nolan served as Vice President and Chief Commercial Officer at Reata Pharmaceuticals Inc., a pharmaceuticals company. From May 2009 to November 2010, Mr. Nolan served as Chief Commercial Officer and President of Lundbeck Inc., the U.S. entity of H. Lundbeck, a Danish pharmaceuticals company. From 2004 to 2009, Mr. Nolan served in a number of executive positions including VP Marketing and Sales Operations, VP CNS Business Unit and VP Global Product Development at Ovation Pharmaceuticals until the company's acquisition by H. Lundbeck in March, 2009. Mr. Nolan holds a B.A. in Biology from John Carroll University.

The Nominating and Corporate Governance Committee believes that Mr. Nolan is qualified to serve on our Board of Directors because he has extensive experience in the biopharmaceutical industry.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE.

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DIRECTORS CONTINUING IN OFFICE UNTIL THE 2016 ANNUAL MEETING

Daniel Levitt, M.D., Ph.D. has served as a member of our Board of Directors since July 2008. Since October 2009, Dr. Levitt has served as Executive Vice President and Chief Medical Officer of CytRx Corporation, a biopharmaceutical research and development company. From January 2007 to February 2009, Dr. Levitt served as Executive Vice President, Research and Development of Cerimon Pharmaceuticals, Inc., a biopharmaceutical company. From 2003 to 2006, Dr. Levitt served as Chief Medical Officer and Head of Clinical and Regulatory Affairs of Dynavax Technologies Corporation, a biopharmaceutical. Dr. Levitt has received ten major research awards and authored or co-authored nearly 200 papers and abstracts. Dr. Levitt holds a B.A. from Brandeis University and an M.D. and a Ph.D. in Biology from the University of Chicago.

The Nominating and Corporate Governance Committee believes that Dr. Levitt is qualified to serve on our Board of Directors because of his extensive experience with biopharmaceutical companies and research and product development.

Gary Bridger, Ph.D. has served as a member of our Board of Directors since October 2013. Since January 2013, Dr. Bridger has served as the Executive Vice President of Research and Development of Xenon Pharmaceuticals Inc., a biopharmaceutical company. From June 2010 to June 2012, Dr. Bridger served as a partner at Venture West Capital Management, a venture capital firm. From November 2006 to December 2007, Dr. Bridger served as Senior Vice President of Research and Development of Genzyme Corporation, a biotechnology company, which was acquired by Sanofi, S.A. In June 1996, Dr. Bridger co-founded AnorMED Inc., a biopharmaceutical company, and was its Vice President of Research and Development and Chief Scientific Officer from 2000 until its acquisition by Genzyme in November 2006. Dr. Bridger currently serves on the board of directors of Alder BioPharmaceuticals, Inc. and on numerous private company boards of directors. Dr. Bridger holds a Ph.D. in Organic Chemistry from the University of Manchester Institute of Science and Technology. Dr. Bridger also serves on the scientific advisory board of Alectos Therapeutics Inc., a biopharmaceutical company.

The Nominating and Corporate Governance Committee believes that Dr. Bridger is qualified to serve on our Board of Directors because of his extensive experience with biopharmaceutical companies and the venture capital industry.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2017 ANNUAL MEETING

Robert Pelzer has served as a member of our Board of Directors since June 2013. From September 2008 to December 2013, Mr. Pelzer served as President of Novartis Corporation, a pharmaceutical company. From 2002 to 2008, Mr. Pelzer served as General Counsel at Novartis Pharma AG. Prior to 2002, Mr. Pelzer held various positions at DuPont, a chemical company, including serving as General Counsel and Senior Vice President at DuPont Pharmaceuticals from 1998 to 2001. Mr. Pelzer holds a B.A. in Commerce and an LL.B. from the University of Alberta. Mr. Pelzer previously served on the board of directors of Idenix Pharmaceuticals, Inc., a biotechnology company.

The Nominating and Corporate Governance Committee believes that Mr. Pelzer is qualified to serve on our Board of Directors because of his extensive experience with the healthcare industry.

Todd Simpson has served as a member of our Board of Directors since January 2014. Since October 2005, Mr. Simpson has served as the Chief Financial Officer of Seattle Genetics, Inc., a publicly traded biotechnology company. Previously, Mr. Simpson served from October 2001 to October 2005 as Vice President, Finance & Administration and Chief Financial Officer of Targeted Genetics Corporation, a biotechnology company. From January 1996 to October 2001, Mr. Simpson served as Vice President, Finance & Administration and Chief Financial

Officer of Aastrom Biosciences, Inc., a biotechnology company. From August 1995 to December 1995, he served as Treasurer of Integra LifeSciences Corporation, a biotechnology company, which acquired Telios Pharmaceuticals, Inc., in August 1995. From 1992 until its acquisition by Integra, he served as Vice President of Finance and Chief Financial Officer of Telios and in various other finance-related positions. Mr. Simpson currently serves on the executive committee of the board of directors of the Washington Biotechnology and Biomedical Association. Mr. Simpson is a certified public accountant, and from 1983 to 1992 he practiced public accounting with the firm of Ernst & Young LLP. Mr. Simpson received a B.S. in Accounting and Computer Science from Oregon State University.

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The Nominating and Corporate Governance Committee believes that Mr. Simpson is qualified to serve on our Board of Directors because of his extensive experience with biotechnology and pharmaceutical companies and his extensive knowledge of accounting principles and financial reporting rules and regulations, tax compliance and oversight of the financial reporting processes of publicly traded corporations.

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INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the NASDAQ Stock Market LLC (**NASDAQ**) listing standards, a majority of the members of a listed company's Board of Directors must qualify as independent, as affirmatively determined by the Board of Directors. The Board of Directors consults with the Company's counsel to ensure that the Board of Directors' determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board of Directors has affirmatively determined that the following five directors are independent directors within the meaning of the applicable NASDAQ listing standards: Mr. Nolan, Dr. Levitt, Dr. Bridger, Mr. Pelzer and Mr. Simpson. In making this determination, the Board of Directors found that none of these directors had a material or other disqualifying relationship with Aquinox. Mr. Main, our President and Chief Executive Officer, is not an independent director by virtue of his current employment with Aquinox.

BOARD LEADERSHIP STRUCTURE

Our corporate governance guidelines provide that one of our independent directors shall serve as a lead independent director at any time when an independent director is not serving as the Chairman of the Board of Directors. Because Mr. Main is our Chairman and Chief Executive Officer, our Board of Directors has appointed Mr. Pelzer to serve as our lead independent director. As lead independent director, Mr. Pelzer will preside over periodic meetings of our independent directors, coordinate activities of the independent directors and perform such additional duties as our Board of Directors may otherwise determine and delegate.

The Company believes that combining the positions of Chief Executive Officer and Chairman helps to ensure that the Board of Directors and management act with a common purpose. The Company also believes that it is advantageous to have a Chairman with an extensive history with and knowledge of the Company (as is the case with Mr. Main).

ROLE OF THE BOARD OF DIRECTORS IN RISK OVERSIGHT

One of the Board of Directors' key functions is informed oversight of the Company's risk management process. The Board of Directors does not have a standing risk management committee, but rather administers this oversight function directly through the Board of Directors as a whole, as well as through various Board of Directors standing committees that address risks inherent in their respective areas of oversight. In particular, our Board of Directors is responsible for monitoring and assessing strategic risk exposure, including a determination of the nature and level of risk appropriate for the Company. Our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met seven times during 2014. Each Board of Directors member attended 75% or more of the aggregate number of meetings of the Board of Directors and of the committees on which she or he served, held during the portion of 2014 for which she or he was a director or committee member.

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Table of Contents**INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for 2014 for each of the Board of Directors committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Mr. David J. Main			
Dr. Gary Bridger		X	X
Dr. Elaine Jones ⁽¹⁾	X		
Dr. Daniel Levitt		X	X
Mr. Robert Pelzer	X	X*	
Mr. Todd Simpson	X*		X*
Total meetings in 2014:	4	3	2

* Committee Chairperson

(1) Dr. Jones, a former director who resigned in February 2015, was a member of the Audit Committee during 2014. Below is a description of each committee of the Board of Directors.

The Board of Directors has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company.

Audit Committee

The Audit Committee of the Board of Directors was established by the Board of Directors in accordance with Section 3(a)(58)(A) of the Exchange Act, to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. The primary functions of this committee include:

direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent auditors (our independent auditors report directly to the Audit Committee);

helping to ensure the independence and performance of the independent registered public accounting firm;

discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;

developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;

reviewing our policies on risk assessment and risk management;

reviewing related party transactions;

preparation of the Audit Committee report that the SEC requires to be included in our annual proxy statement;

obtaining and reviewing a report by the independent registered public accounting firm at least annually, that describes our internal quality-control procedures, any material issues with such procedures, and any steps taken to deal with such issues when required by applicable law; and

approving (or, as permitted, pre-approving) all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

The Audit Committee is currently composed of three directors: Mr. Nolan, Mr. Pelzer and Mr. Simpson. Dr. Jones, a former director who resigned in February 2015, was a member of the Audit Committee during 2014. The Audit Committee met four times during 2014. The Board of Directors has adopted a written Audit Committee charter that is available to stockholders on the Company's website at <http://investor.aqxpharma.com/corporate-governance.cfm>.

The Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A)(i) of the NASDAQ listing standards and Rule 10A-3 of the Exchange Act). Our Board of Directors also determined that each member of the Audit Committee can read and understand fundamental financial statements in accordance with applicable requirements.

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The Board of Directors has also determined that Mr. Simpson qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board of Directors made a qualitative assessment of Mr. Simpson's level of knowledge and experience based on a number of factors, including his formal education and experience as a chief financial officer for a public reporting company.

Compensation Committee

The Compensation Committee of the Board of Directors acts on behalf of the Board of Directors to review, adopt and oversee the Company's compensation strategy, policies, plans and programs, including:

reviewing and approving the compensation of our chief executive officer and other executive officers including in all cases base salary, bonus, benefits and other perquisites;

reviewing and recommending to our Board of Directors the compensation of our directors;

reviewing and approving, or recommending that our Board of Directors approve, the terms of compensatory arrangements with our executive officers;

administering our stock and equity incentive plans;

selecting independent compensation consultants and assessing conflict of interest compensation advisers;

reviewing and approving, or recommending that our Board of Directors approve, incentive compensation and equity plans; and

reviewing and establishing general policies relating to compensation and benefits of our employees and reviewing our overall compensation philosophy and objectives.

In addition, once the Company ceases to be an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, the Compensation Committee will review with management the Company's Compensation Discussion and Analysis and consider whether to recommend that it be included in Proxy Statements and other filings.

The Compensation Committee is currently composed of three directors: Dr. Bridger, Dr. Levitt and Mr. Pelzer. All members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 5605(d)(2) of the NASDAQ listing standards), are non-employee directors as defined in Rule 16b-3 promulgated under the Exchange Act and are outside directors as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, or Section 162(m). The Compensation Committee met three times during 2014. The Board of Directors has adopted a written Compensation Committee charter that is available to stockholders on the Company's website at <http://investor.aqxpharma.com/corporate-governance.cfm>.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets biannually and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with management. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation or individual performance objectives. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company. In addition, under the charter, the Compensation Committee has the authority to obtain, at the expense of the Company, advice and assistance from compensation consultants and internal and external legal, accounting or other advisors and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. The Compensation Committee has direct responsibility for the oversight of the work of any consultants or advisers engaged for the purpose of advising the Committee. In particular, the Compensation Committee has the sole authority to retain, in its sole discretion, compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. Under the charter, the Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Compensation Committee, other than in-house legal counsel and certain other types

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of advisers, only after taking into consideration six factors, prescribed by the SEC and NASDAQ, that bear upon the adviser's independence; however, there is no requirement that any adviser be independent. In addition, under its charter, the Compensation Committee may form, and delegate authority to, subcommittees as appropriate.

During 2014, after taking into consideration the six factors prescribed by the SEC and NASDAQ described above, the Compensation Committee engaged Radford as a compensation consultant. Radford was identified as an appropriate consultant for the Company, as their compensation consulting practice works directly with the compensation committees of more than 150 technology and life science companies annually. The Compensation Committee requested that Radford:

evaluate the efficacy of the Company's existing compensation strategy and practices in supporting and reinforcing the Company's long-term strategic goals; and

assist in refining the Company's compensation strategy and in developing and implementing an executive compensation program to execute that strategy.

As part of its engagement, Radford was requested by the Compensation Committee to develop a comparative group of companies and to perform analyses of competitive performance and compensation levels for that group. The Compensation Committee asked Radford to conduct an Executive and Board Compensation Assessment in preparation for the 2015 fiscal year. For the review of executive compensation, Radford analyzed base salary, target bonus and target total cash compensation as well as annual equity award under a variety of scenarios. For the review of compensation of our Board, Radford analyzed and recommended cash retainers as well as appointment and annual equity award. At the request of the Compensation Committee, Radford also conducted individual interviews with members of the Compensation Committee and the Company's Chief Executive Officer to learn more about the Company's business operations and strategy, key performance metrics and strategic goals, as well as the labor markets in which the Company competes. Radford ultimately developed recommendations that were presented to the Compensation Committee for its consideration. Following an active dialogue with Radford and resulting modifications, the Compensation Committee approved the recommendations.

Compensation Committee Interlocks and Insider Participation

As noted above, the Company's Compensation Committee consists of Dr. Bridger, Dr. Levitt and Mr. Pelzer. None of the members of the Compensation Committee is currently or has been at any time one of our officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board of Directors oversees our corporate governance function. The primary functions of this committee include:

identifying, evaluating and selecting, or recommending that our Board of Directors approve, nominees for election to our Board of Directors and its committees;

evaluating the performance of our Board of Directors and of individual directors;

considering and making recommendations to our Board of Directors regarding the composition and structure of our Board of Directors and its committees;

reviewing developments in corporate governance practices;

evaluating the adequacy of our corporate governance practices and reporting;

reviewing management succession plans;

developing and making recommendations to our Board of Directors regarding corporate governance guidelines and matters; and

overseeing an annual evaluation of the Board of Directors' performance.

The Nominating and Corporate Governance Committee is currently composed of three directors: Dr. Bridger, Dr. Levitt and Mr. Simpson. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Nominating and Corporate Governance Committee met two times during 2014. The Board of Directors has adopted a written Nominating and Corporate Governance Committee charter that is available to stockholders on the Company's website at <http://investor.aqxpharma.com/corporate-governance.cfm>.

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The Board of Directors believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. However, the Board of Directors retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board of Directors, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee typically considers diversity, age, skills and such other factors as it deems appropriate, given the current needs of the Board of Directors and the Company, to maintain a balance of knowledge, experience and capability.

In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommendation to the Board of Directors.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board of Directors may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: 450 887 Great Northern Way, Vancouver, B.C., Canada, V5T 4T5. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record holder of the Company's stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Historically, the Company has not provided a formal process related to stockholder communications with the Board of Directors. Nevertheless, every effort has been made to ensure that the views of stockholders are heard by the Board of Directors or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. The Company believes its responsiveness to stockholder communications to the Board of Directors has been excellent. Nevertheless, during the upcoming year, the Nominating and Corporate Governance Committee will give full consideration to the adoption of a formal process for stockholder communications with the Board of Directors and, if adopted, publish it promptly and post it to the Company's website.

CODE OF ETHICS

The Company has adopted the Aquinox Code of Business Conduct and Ethics that applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on the Company's website at <http://investor.aqxpharma.com/corporate-governance.cfm>. If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

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CORPORATE GOVERNANCE GUIDELINES

In January 2014, the Board of Directors adopted Corporate Governance Guidelines to assure that the Board of Directors will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management. The guidelines are also intended to align the interests of directors and management with those of the Company's stockholders. The Corporate Governance Guidelines set forth the practices the Board of Directors intends to follow with respect to board composition and selection, board meetings and involvement of senior management, Chief Executive Officer performance evaluation and succession planning, and board committees and compensation. The Corporate Governance Guidelines, as well as the charters for each committee of the Board of Directors, may be viewed at <http://investor.aqxpharma.com/corporate-governance.cfm>.

Table of Contents**PROPOSAL NO. 2****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected Deloitte LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015, and has further directed that management submit the selection of its independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Deloitte LLP has audited the Company's financial statements since 2006. Representatives of Deloitte LLP are expected to be present at the Annual Meeting by telephone. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Deloitte LLP as the Company's independent registered public accounting firm. However, the Audit Committee of the Board of Directors is submitting the selection of Deloitte LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board of Directors in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the matter at the Annual Meeting will be required to ratify the selection of Deloitte LLP.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table represents aggregate fees billed to the Company for the years ended December 31, 2014 and December 31, 2013, by Deloitte LLP, the Company's principal accountant.

	Year Ended	
	2014	2013
	(in thousands)⁽¹⁾	
Audit Fees	\$ 305,165	\$ 160,628
Audit-related Fees		535,428
Tax Fees		
All Other Fees	2,000	
Total Fees	\$ 307,165	\$ 696,056

- (1) The dollar amounts shown in these columns reflect the US\$ equivalent of the amounts billed by Deloitte LLP. The amounts were converted to U.S. dollars from Canadian dollars using the average of the closing monthly average exchange rates for the 12 months ended December 31, 2014 and December 31, 2013. Applying this formula to years ended December 31, 2014 and December 31, 2013, Canadian \$1.00 was equal to US\$0.9054 and US\$1.0008, respectively.

All fees described above were pre-approved by the Audit Committee.

In connection with the audit of the 2014 financial statements, the Company entered into an engagement agreement with Deloitte LLP that sets forth the terms by which Deloitte LLP will perform audit services for the Company. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

PRE-APPROVAL POLICIES AND PROCEDURES.

The Charter of the Audit Committee provides for the pre-approval of audit and non-audit services rendered by the Company's independent registered public accounting firm, Deloitte LLP. The Audit Committee generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor or on an individual, explicit, case-by-case basis before the independent auditor is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

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The Audit Committee has determined that the rendering of services other than audit services by Deloitte LLP is compatible with maintaining the principal accountant's independence.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL NO. 2.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS⁽¹⁾

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2014 with management of the Company. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (**PCAOB**). The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants' communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Mr. Sean Nolan
Mr. Robert Pelzer
Mr. Todd Simpson (Chair)

- (1) The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended (the **Securities Act**), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our capital stock as of January 31, 2015, for:

each of our named executive officers;

each of our directors;

all of our directors and executive officers as a group; and

each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock.

We have based our calculation of beneficial ownership on 10,717,128 shares of common stock outstanding on January 31, 2015. This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Shares of common stock issuable under options or warrants that are exercisable within 60 days after January 31, 2015 are deemed beneficially owned and such shares are used in computing the percentage ownership of the person holding the options or warrants, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. The information contained in the following table is not necessarily indicative of beneficial ownership for any other purpose, and the inclusion of any shares in the table does not constitute an admission of beneficial ownership of those shares.

Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and dispositive power with respect to their shares of common stock, except to the extent authority is shared by spouses under community property laws. Unless otherwise indicated below, the address of each beneficial owner listed in the table below is c/o Aquinox Pharmaceuticals, Inc. 450-887 Great Northern Way, Vancouver, B.C., Canada V5T 4T5.

Beneficial Owner	Beneficial Ownership	
	Number of Shares	Percent of Total
Named Executive Officers and Directors:		
David J. Main ⁽¹⁾	263,585	2.4%
Stephen Shrewsbury ⁽²⁾	19,931	*
Kamran Alam ⁽³⁾	35,458	*
Gary Bridger ⁽⁴⁾⁽⁵⁾	1,546,766	14.4
Daniel Levitt ⁽⁶⁾	13,084	*
Sean Nolan		
Robert Pelzer ⁽⁷⁾	6,936	*
Todd Simpson ⁽⁸⁾	2,777	*
	1,615,919	17.5

All executive officers and directors as a group
(10 persons)⁽⁹⁾

Other 5% Stockholders:

Ventures West 8 Limited Partnership ⁽⁴⁾	1,543,989	14.4
Johnson & Johnson Development Corporation ⁽¹⁰⁾	1,614,821	15.1
Pfizer, Inc. ⁽¹¹⁾	1,235,330	11.5
Entities Affiliated with Baker Brothers, Inc. ⁽¹²⁾	1,187,666	11.1
Franklin Resources, Inc. ⁽¹³⁾	588,945	5.5
Augment Investments Ltd. ⁽¹⁴⁾	564,393	5.3

* Represents beneficial ownership of less than one percent (1%) of the outstanding common stock.

- (1) Consists of (a) 71,530 shares and (b) 192,055 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (2) Consists of 19,931 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (3) Consists of 35,458 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (4) Consists of 1,543,989 shares held by Ventures West 8 Limited Partnership. Five Corners Capital Inc., the general partner of Ventures West 8 Limited Partnership, has sole voting and investment power with respect to the shares held by Ventures West 8 Limited Partnership. The directors of Five Corners Capital Inc. are Dr. Bridger and Kenneth Galbraith. Dr. Bridger and Mr. Galbraith disclaim beneficial ownership of all shares except to the extent of their pecuniary interest. The address for each of these entities is Suite 2500 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

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- (5) Consists of 2,777 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (6) Consists of 13,084 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (7) Consists of 6,936 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (8) Consists of 2,777 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (9) Consists of (a) 1,615,919 shares held by the directors and executive officers as of January 31, 2015 and (b) 310,972 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (10) This information is based solely on information reported on a Schedule 13G filed on February 6, 2015 on behalf of Johnson & Johnson. According to the report, Johnson & Johnson (J&J) and Johnson & Johnson Innovation JJDC, Inc. (JJDC) have shared voting and dispositive power with respect to 1,614,821 shares. JJDC is a wholly-owned subsidiary of J&J. The securities reported as being held by J&J and JJDC are directly beneficially owned by JJDC. J&J may be deemed to indirectly beneficially own the securities that are directly beneficially owned by JJDC. The address for this reporting person is One Johnson & Johnson Plaza, New Brunswick, NJ 08933
- (11) The address for this entity is 235 East 42nd Street, New York, NY 10017.
- (12) Consists of (a) 951,761 shares held by Baker Brothers Life Sciences, L.P. and (b) 235,905 shares held by 667, L.P. (successor to Baker Biotech Fund I, L.P.). Baker Bros Advisor LP is the Investment Advisor of each of these funds and has sole voting and investment power with respect to the shares held by such entities. Baker Bros. Advisors (GP) LLC is the sole general partner of Baker Bros. Advisors LP. The managing members of Baker Bros. Advisors (GP) LLC are Julian C. Baker and Felix J. Baker. Julian C. Baker and Felix J. Baker disclaim beneficial ownership of all shares except to the extent of their pecuniary interest. The address for each of these entities is 667 Madison Avenue, 17th Floor, New York, NY 10021.
- (13) This information is based solely on information reported on a Schedule 13G filed on February 9, 2015 on behalf of Franklin Resources, Inc. According to the report, Franklin Advisers, Inc. has sole voting and dispositive power with respect to 588,945 shares. The address for this reporting person is One Franklin Parkway, San Mateo, CA 94403-1906.
- (14) This information is based solely on information reported on a Schedule 13G filed on February 12, 2015 on behalf of Augment Investments Ltd. According to the report, Maria Christina Stephanou, Pantelitsa Sofokleous, Viktor Kharitonin and Egor Kulkov have shared voting and dispositive power with respect to 564,393 shares. The address for this reporting person is c/o Augment Investments Ltd., 15 Dimokritou, Panaretos Eliana Complex, office/flat 104, 4041 Potamos Germasogeias, Limassol, Cyprus.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 31, 2014, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth certain information with respect to our executive officers as of February 28, 2015. Biographical information with regard to Mr. Main is presented under *Proposal No. 1 Election of Directors* in this Proxy Statement.

Name	Age	Position(s)
Kamran Alam	40	Chief Financial Officer, Vice President, Finance
Stephen Shrewsbury, M.B. ChB.	58	Chief Medical Officer, Senior Vice President, Clinical Development
Lloyd Mackenzie	47	Vice President, Technical Operations and Planning
David Mitchell	58	Vice President, Global Regulatory Affairs & Quality Assurance

Kamran Alam, 40, has served as our Chief Financial Officer and Vice President, Finance since August 2011. From June 2010 to August 2011, Mr. Alam served as Senior Director, Business Development of Sirius Genomics Inc., a biotechnology company. From October 2008 to June 2010, Mr. Alam served as Director, Business Development of the Centre for Drug Research and Development, a drug development and commercialization center. From January 2007 to October 2008, Mr. Alam served as Senior Manager, Business Development of Angiotech Pharmaceuticals, Inc., a pharmaceutical company. From 2004 to 2007, Mr. Alam served as Manager, Business Development of AnorMED Inc., a chemistry-based biopharmaceutical company. From 1998 to 2000, Mr. Alam worked in the life sciences practice group of PriceWaterhouseCoopers LLP, a global accounting and auditing firm where he obtained his Chartered Accountant designation, and gained valuable experience in the financing, auditing and tax structuring of a number of biotechnology and technology companies. Mr. Alam holds a B.Sc. in Cell Biology and Genetics from the University of British Columbia and an M.B.A. in International Business and Strategy from the University of Victoria and is a Chartered Accountant.

Stephen Shrewsbury, M.B. ChB., 58, has served as our Chief Medical Officer and Senior Vice President, Clinical Development since April 2013. From August 2011 to March 2013, Dr. Shrewsbury served as founder, principal and sole member of Shrewd Consulting LLC, a consulting company. During that time he also served as Acting Chief Medical Officer of LifeSplice Pharma LLC, a biotechnology company. From February 2009 to August 2011, Dr. Shrewsbury served as Senior Vice President, Preclinical & Clinical Development and Chief Medical Officer of Sarepta Therapeutics, Inc., formally known as AVI BioPharma, Inc., a medical research and drug development company. From July 2008 to February 2009, Dr. Shrewsbury served as a consultant in the biotechnology and biopharmaceutical industry. From March to July 2008, Dr. Shrewsbury served as Senior Vice President of Clinical Development and Regulatory Affairs of Adamas Pharmaceuticals, Inc., a clinical stage pharmaceutical company. From 2005 to 2008, Dr. Shrewsbury served as Vice President of Clinical Development and Regulatory Affairs and then Vice President and Chief Medical Officer of MAP Pharmaceuticals, Inc., a pharmaceutical company, which was acquired by Allergan, Inc., a global healthcare company, in 2013. While at MAP, Dr. Shrewsbury lead four inhaled drug programs and took two lead candidates (in asthma and migraine) from preclinical stage to Phase III in 18 months. Prior to his experience in biotechnology, Dr. Shrewsbury spent ten years with Glaxo and Chiron launching notable respiratory programs such as Seretide in Europe and Flovent and Advair in the United States. Dr. Shrewsbury holds an M.B. ChB. from the University of Liverpool. Dr. Shrewsbury serves on the board of directors of BioXpert LLC, an online educational company.

Lloyd Mackenzie, 47, has served as our Vice President, Technical Operations and Planning since May 2013 and prior to that had served as our Senior Director, Technical Operations since May 2008. From 2007 to 2008, Mr. Mackenzie served as a Research Scientist of Pharmaceutical Development at QLT. From 1999 to 2007, Mr. Mackenzie served as

a Research Scientist of Inflazyme Pharmaceuticals Inc., a biotechnology company. Mr. Mackenzie is the author of 15 scientific publications and is an inventor on four patents. Mr. Mackenzie holds a B.Sc. in Chemistry and Biochemistry from Simon Fraser University.

David Mitchell, 58, has served as our Vice President, Global Regulatory Affairs & Quality Assurance since December 2014. From November 2011 to November 2014, Mr. Mitchell served as director, global regulator lead oncology at AbbVie, Inc., a global, research-based biopharmaceutical company. From August 2010 to November 2011, Mr. Mitchell served as director of regulatory affairs at Dendreon Corporation, a publicly-traded

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biopharmaceutical company. Additionally, he was responsible for building the Regulatory and Quality infrastructure at several small biotechnology companies in the United States. He presently serves on the Global Committee of The Food and Drug Law Institute where he provides advice on program and policy development in global food and drug law. Mr. Mitchell holds a M.Sc. degree in Bioscience Regulatory Affairs from The Johns Hopkins University and a BS in Chemistry degree from Mississippi College.

Table of Contents**EXECUTIVE COMPENSATION**

Our named executive officers (the *NEOs*) for the year ended December 31, 2014, which consist of our principal executive officer and the next two most highly compensated executive officers, are:

David J. Main, Chief Executive Officer and President;

Stephen Shrewsbury, Chief Medical Officer, Senior Vice President, Clinical Development; and

Kamran Alam, Chief Financial Officer and Vice President, Finance.

SUMMARY COMPENSATION TABLE

The following table sets forth all of the compensation awarded to, earned by or paid to our NEOs during the years ended December 31, 2014 and December 31, 2013.

Name and principal position ⁽¹⁾⁽²⁾	Year	Salary (\$)	Bonus (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	Non-Equity Incentive Plan Compensation	Total (\$)
					(\$) ⁽⁵⁾	
David J. Main	2014	365,027		539,494	108,648	1,013,169
<i>Chief Executive Officer and President</i>	2013	356,394	64,190	601,807		1,022,391
Stephen Shrewsbury	2014	302,404		259,372	60,209	621,985
<i>Chief Medical Officer and Senior Vice President, Clinical Development</i>	2013	228,283 ⁽⁶⁾	41,952	110,724		380,959
Kamran Alam	2014	181,080		259,372	44,365	412,390
<i>Chief Financial Officer and Vice President, Finance</i>	2013	155,376	27,968	230,693		414,036

- (1) Our NEOs are employed and compensated by our wholly owned subsidiary, Aquinox Pharmaceuticals (Canada) Inc., a corporation under the Canada Business Corporations Act.
- (2) The dollar amounts shown in this table reflect the US\$ equivalent of the amounts paid to our NEOs in Canadian dollars. The amounts were converted to U.S. dollars from Canadian dollars using the average of the closing monthly average exchange rates for the 12 months ended December 31, 2014 and December 31, 2013. Applying this formula to years ended December 31, 2014 and December 31, 2013, Canadian \$1.00 was equal to US\$0.9054 and US\$1.0008, respectively.
- (3) Amounts represent annual discretionary bonuses earned pursuant to the NEO's employment agreement.
- (4) Amounts shown in this column do not reflect dollar amounts actually received by our NEOs. Instead, these amounts reflect the aggregate grant date fair value of each stock option granted in the years ended December 31, 2014 and December 31, 2013, computed in accordance with the provisions of FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in our Annual Report on Form 10-K for the

year ended December 31, 2014. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our NEOs will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.

- (5) Represents amounts earned in 2014, which were paid during 2015, under our 2014 incentive compensation plan, which provides our NEOs with an annual incentive compensation payment, subject to our achievement of our corporate performance goals and individual achievement. Our 2014 company goals related to the advancement of our clinical trials and preclinical programs, business and corporate development objectives and financial management objectives. For 2014, we achieved corporate attainment of our goals at 70%. The following was our determination of individual goal attainment in 2014: Mr. Main, 85%, Dr. Shrewsbury, 80% and Mr. Alam, 100%.
- (6) Dr. Shrewsbury joined us in April 2013, and the amount reflects a partial year of service.

EMPLOYMENT AGREEMENTS

David J. Main

We entered into an amended employment agreement with Mr. Main effective January 1, 2014, which replaced and superseded Mr. Main's prior employment agreement, setting forth the terms of Mr. Main's continued employment as our President and Chief Executive Officer. Mr. Main is eligible to receive an annual bonus of up to 50% of his current base salary, as determined by our Board of Directors in its discretion and based on the achievement of corporate and individual performance goals.

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Stephen Shrewsbury

We entered into an amended employment agreement with Dr. Shrewsbury effective January 1, 2014, which replaced and superseded Dr. Shrewsbury's prior employment agreement, setting forth the terms of Dr. Shrewsbury's continued employment as our Senior Vice President, Clinical Development and Chief Medical Officer. Dr. Shrewsbury is eligible to receive an annual bonus of up to 35% of his current base salary, as determined by our Board of Directors in its discretion and based on the achievement of corporate and individual performance goals.

Kamran Alam

We entered into an amended employment agreement with Mr. Alam effective January 1, 2014, which replaced and superseded Mr. Alam's prior employment agreement, setting forth the terms of Mr. Alam's continued employment as our Vice President, Finance and Chief Financial Officer. Mr. Alam is eligible to receive an annual bonus of up to 35% of his current base salary, as determined by our Board of Directors in its discretion and based on the achievement of corporate and individual performance goals.

POTENTIAL PAYMENTS AND ACCELERATION OF EQUITY UPON TERMINATION OR TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL

Each of our NEOs and certain other executive officers may voluntarily resign for any reason by providing us with three months prior notice. We may elect to waive all or a portion of such notice period by paying to such executive his base salary that he would have earned if he had remained employed by us for the full duration of such notice period.

If we terminate one of our NEOs and certain other executive officers without cause, or if such executive resigns for good reason in connection with a change in control, such executive will be entitled to receive the following benefits:

If Mr. Main is terminated without cause, he will continue to receive his base salary, benefits and continued vesting and extended exercisability of options for a period of 18 months following his termination date, and 150% of his bonus compensation based on the average annual bonus paid over the prior three-year period. If Mr. Main secures employment prior to the end of such severance period, his salary continuation payments will be reduced by 50% for the remainder of such period. In addition, if Mr. Main resigns his employment for good reason within 12 months following a change in control, he will continue to receive his base salary and benefits for a period of 18 months following his termination date, 12-months bonus pay to the date of termination that is calculated based on the average annual bonus paid over the prior three-year period, and 100% of his then-unvested options will vest as of his termination date.

If Dr. Shrewsbury is terminated without cause, he will be entitled to receive his base salary and benefits for a period of six months following his termination date. In addition, if Dr. Shrewsbury resigns his employment for good reason within 12 months following a change in control, he will continue to receive his base salary and benefits for a period of 12 months following his termination date, 12-months bonus pay to the date of termination that is calculated based on the average annual bonus paid over the prior three-year period, and 100% of his then-unvested options will vest as of his termination date.

If Mr. Alam is terminated without cause, he will be entitled to receive his base salary and benefits for a period of six months following his termination date. In addition, if Mr. Alam resigns his employment for good reason within 12 months following a change in control, he will continue to receive his base salary and benefits for a period of 12 months following his termination date, 12-months bonus pay to the date of termination that is calculated based on the average annual bonus paid over the prior three-year period, and 100% of his then-unvested options will vest as of his termination date.

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Table of Contents**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014**

The following table provides information regarding outstanding equity awards held by each of our NEOs as of December 31, 2014.

Name	Vesting Commencement Date	Option Awards			
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
David J. Main	6/8/2007	15,625		9.60	6/7/2017
	6/11/2010	72,916		5.76	6/10/2020
	11/11/2011	74,218	19,532	5.76	11/10/2021
	10/31/2013	19,530	42,969	12.67	10/30/2023
	5/8/2014		65,000	10.10	5/7/2024
Stephen Shrewsbury	5/30/2013	17,089	21,973	5.76	5/29/2023
	5/8/2014		31,250	10.10	5/7/2024
Kamran Alam	8/23/2011	17,794	3,039	5.76	8/22/2021
	5/30/2012	6,727	3,689	5.76	5/29/2022
	10/31/2013	7,486	16,472	12.67	10/30/2023
	5/8/2014		31,250	10.10	5/7/2024

- (1) The shares subject to the stock options vest as follows: 25% of the shares underlying the options vest on the one-year anniversary of the vesting commencement date and thereafter 1/48th of the shares vest each month, subject to continued service with us through each vesting date.
- (2) Option is subject to accelerated vesting upon a change in control, as described under Potential Payments and Benefits upon Termination or Change of Control.

DIRECTOR COMPENSATION

The following table sets forth information regarding compensation earned by or paid to our non-employee directors during 2014. Mr. Main, our only employee director, received no additional compensation for his Board service during 2014.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾ ⁽²⁾⁽³⁾	Total (\$)
Gary Bridger	36,250	75,389 ⁽⁴⁾	111,639
Elaine Jones ⁽⁸⁾			
Daniel Levitt	38,250	75,389 ⁽⁵⁾	113,639
Sean Nolan ⁽⁹⁾			

Robert Pelzer	65,250	75,389 ⁽⁶⁾	140,639
Todd Simpson	47,167	75,389 ⁽⁷⁾	122,555

- (1) Amounts shown in this column do not reflect dollar amounts actually received by our non-employee directors. Instead, these amounts reflect the aggregate grant date fair value of each stock option granted in the year ended December 31, 2014, computed in accordance with the provisions of FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in our Annual Report on Form 10-K for the year ended December 31, 2014. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our non-employee directors will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.
- (2) The shares subject to these awards vest over a three year period, at a rate of 1/3rd of the total number of shares on the one-year anniversary of the grant date, 1/3rd of the total number of shares on the second-year anniversary of the grant date, and 1/3rd of the total number of shares on the third-year anniversary of the grant date.
- (3) In addition to the options granted above, as of December 31, 2014, Dr. Levitt and Mr. Pelzer held options to purchase 11,718 and 6,510 shares of common stock, respectively.
- (4) We awarded Dr. Bridger an option to purchase 8,333 shares of our common stock at an exercise price of \$11.00 per share.
- (5) We awarded Dr. Levitt an option to purchase 8,333 shares of our common stock at an exercise price of \$11.00 per share.
- (6) We awarded Mr. Pelzer an option to purchase 8,333 shares of our common stock at an exercise price of \$11.00 per share.
- (7) We awarded Mr. Simpson an option to purchase 8,333 shares of our common stock at an exercise price of \$11.00 per share.
- (8) Dr. Jones waived the right to receive any cash or equity compensation in connection with her service on our Board of Directors.
- (9) Mr. Nolan did not join our Board of Directors until February 2015.

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Non-employee directors receive the following cash compensation for service on our Board of Directors and committees of our Board of Directors, as applicable, payable in equal monthly installments, in arrears:

\$35,000 per year for service as a member of our Board of Directors;

\$15,000 per year for service as our Lead Independent Director;

\$15,000 per year for service as the chair of the Audit Committee and \$7,500 per year for service as a member (other than as chair) of the Audit Committee;

\$10,000 per year for service as the chair of the Compensation Committee and \$5,000 per year for service as a member (other than as chair) of the Compensation Committee; and

\$7,500 per year for service as the chair of the Nominating and Corporate Governance Committee and \$3,500 per year for service as a member (other than as chair) of the Audit Committee;

We have a policy of reimbursing our directors for their reasonable out-of-pocket expenses incurred in attending Board of Directors and committee meetings. In addition, our non-employee directors receive \$500 additional cash compensation for in-person meetings of our Board of Directors attended at our offices. None of our employee directors receives additional compensation for his service on our Board of Directors.

In addition, each newly appointed non-employee director will be granted an option to purchase 10,000 shares of our common stock. These options will vest on a three-year, annual vesting schedule. Additionally, on the date of each annual meeting, each person who is elected or appointed and each director who continues to serve as a director immediately after such annual meeting shall be granted stock options covering 5,000 shares of our common stock, vesting on a one-year, monthly vesting schedule.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of December 31, 2014:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽²⁾	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for issuance under equity compensation plans⁽³⁾
Equity compensation plans approved by stockholders ⁽¹⁾	824,604	\$ 6.79	598,812
Equity compensation plans not approved by stockholders			
Total	824,604	\$ 6.79	598,812

- (1) Includes securities issuable under our Joint Canadian Stock Option Plan (the **2006 Plan**) and 2013 Equity Incentive Plan (the **2014 Plan**).
- (2) Consists of options to purchase 229,082 shares of common stock under our 2014 Plan and 595,522 shares of common stock under our 2006 Plan.
- (3) All of such shares of common stock available for issuance under our 2014 Plan. As of the date of our initial public offering, no further shares were available for issuance under the 2006 Plan. Pursuant to the terms of our 2014 Plan, an additional 427,804 shares of common stock were added to the 2014 Plan, effective January 1, 2015.

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TRANSACTIONS WITH RELATED PERSONS

Other than compensation arrangements for our directors and NEOs, which are described elsewhere in this Proxy Statement, below we describe transactions since January 1, 2014 to which we were a party or will be a party, in which:

the amounts involved exceeded or will exceed \$120,000; and

any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest.

QUALIFICATION AND REGISTRATION RIGHTS AGREEMENT

On March 19, 2013, we entered into an amended and restated qualification and registration rights agreement with the holders of our outstanding preferred stock, including entities with which certain of our directors are affiliated. As of December 31, 2014, the holders of approximately 4.4 million shares of our common stock are entitled to rights with respect to the registration of their shares under the Securities Act.

INDEMNIFICATION AGREEMENTS

Our amended and restated certificate of incorporation contains provisions limiting the liability of directors, and our amended and restated bylaws provide that we will indemnify each of our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted under Delaware law. In addition, we have entered into an indemnification agreement with each of our directors and our executive officers.

EMPLOYMENT AGREEMENTS

We have entered into employment agreements with our executive officers. For more information regarding these agreements, see the section of the prospectus captioned "Executive Compensation Employment Agreements."

POLICY ON FUTURE RELATED PARTY TRANSACTIONS

We have adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related person transaction with us without the prior consent of our Audit Committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest, must first be presented to our Audit Committee for review, consideration and approval. In approving or rejecting any such proposal, our Audit Committee is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. All of the transactions described above were entered into after presentation, consideration and approval by our Board of Directors.

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HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other Annual Meeting materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Aquinox stockholders will be householding the Company's proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker or Aquinox. Direct your written request to Corporate Secretary, Aquinox Pharmaceuticals, Inc. 450 887 Great Northern Way, Vancouver, B.C., Canada, V5T 4T5 or contact our Corporate Secretary at (604) 629-9223. Stockholders who currently receive multiple copies of the Notices of Internet Availability of Proxy Materials at their addresses and would like to request householding of their communications should contact their brokers.

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OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Kamran Alam
Chief Financial Officer,
Vice President, Finance and Corporate
Secretary

March 27, 2015

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2014 is available without charge upon written request to: Corporate Secretary, Aquinox Pharmaceuticals, Inc. 450 887 Great Northern Way, Vancouver, B.C., Canada, V5T 4T5.

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ANNUAL MEETING OF STOCKHOLDERS OF

AQUINOX PHARMACEUTICALS, INC.

May 11, 2015

**PROXY VOTING
INSTRUCTIONS**

INTERNET - Access **www.voteproxy.com** and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.

TELEPHONE - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.
Vote online/phone until 11:59 PM EST the day before the meeting.

COMPANY NUMBER

ACCOUNT NUMBER

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

IN PERSON - You may vote your shares in person by attending the Annual Meeting.

GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.amstock.com to enjoy online access.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The Notice of Meeting, proxy statement and proxy card are available at <http://www.astproxyportal.com/ast/18777/>

- i Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone or the Internet. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSAL 2. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x
The Board of Directors recommends you vote FOR all the following nominees:

1. Nominees for Election for a Three-Year Term Expiring at the 2018 Annual Meeting:

	FOR	AGAINST	ABSTAIN
David Main
Sean Nolan

The Board of Directors recommends you vote FOR all the following proposal:

2. To ratify the selection by the Audit Committee of the Board of Directors of Deloitte LLP as the independent registered public accounting firm of Aquinox Pharmaceuticals, Inc. for its fiscal year ending December 31, 2015.

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting. This proxy when properly executed will be voted as directed herein by the undersigned stockholder. **If no direction is made, this proxy will be voted FOR ALL NOMINEES in Proposal 1 and FOR Proposal 2.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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AQUINOX PHARMACEUTICALS, INC.

Proxy for Annual Meeting of Stockholders on May 11, 2015

Solicited on Behalf of the Board of Directors

The undersigned stockholder(s) hereby revoke(s) all previous proxies, acknowledge(s) receipt of the Notice of the 2015 Annual Meeting of Stockholders of Aquinox Pharmaceuticals, Inc., the accompanying proxy statement and the 2014 Annual Report, and hereby appoint(s) David Main and Kamran Alam, or any of them, as proxies of the undersigned, each with the power to appoint his substitute, and hereby authorizes them, or any of them, to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of Aquinox Pharmaceuticals, Inc. that the undersigned stockholder(s) is/are entitled to vote at the 2015 Annual Meeting of Stockholders of Aquinox Pharmaceuticals, Inc. to be held at 1:00 p.m. local time on May 11, 2015 at the offices of Cooley LLP, 1700 Seventh Avenue, Suite 1900, Seattle, Washington 98101-1355, and any adjournment or postponement thereof.

The shares represented by this proxy, when properly executed, will be voted in the manner directed by the stockholder(s), with discretionary authority as to any and all other matters that may properly come before the meeting. If no such direction is made, the proxyholders will have the authority to vote FOR each of the nominees listed in Proposal No. 1 and FOR Proposal No. 2.

(Continued and to be signed on the reverse side.)

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**ANNUAL MEETING OF STOCKHOLDERS OF
AQUINOX PHARMACEUTICALS, INC.**

May 11, 2015

GO GREEN

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.amstock.com to enjoy online access.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of Meeting, proxy statement and proxy card
are available at <http://www.astproxyportal.com/ast/18777/>

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

i Please detach along perforated line and mail in the envelope provided. i

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED IN
PROPOSAL 1 AND FOR PROPOSAL 2.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

**The Board of Directors recommends you vote FOR all of the
following nominees:**

1. Nominees for Election for a Three-Year Term Expiring at the 2018
Annual Meeting:

	FOR	AGAINST	ABSTAIN
David Main
Sean Nolan

The Board of Directors recommends you vote FOR the following proposal:

2. To ratify the selection by the Audit Committee of the Board of Directors of Deloitte LLP as the independent registered public accounting firm of Aquinox Pharmaceuticals, Inc. for its fiscal year ending December 31, 2015.
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In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting. This proxy when properly executed will be voted as directed herein by the undersigned stockholder. **If no direction is made, this proxy will be voted FOR ALL NOMINEES in Proposal 1 and FOR Proposal 2.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ..

Signature of Stockholder

Date:

Signature of Stockholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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