

**IN THE MATTER OF THE PROPOSAL OF
CHEMOKINE THERAPEUTICS CORP.
Carrying on Business in the City of Vancouver
In the Province of British Columbia**

PROPOSAL

Chemokine Therapeutics Corp. ("the Company") hereby submits the following Proposal pursuant to the *Bankruptcy and Insolvency Act* ("BIA") Part III, Division I, Section 50.

1. DEFINITIONS

In this Proposal

- i. "Administrative Fees and Expenses" means the proper fees and expenses of the Trustee, the expenses of the Company and the legal fees and disbursements of the Company and the Trustee on or incidental to the appointment of the Trustee, the negotiations in connection with the preparation of this Proposal and any subsequent proposals and the proceedings arising out of this Proposal and any subsequent proposals including advice to the Company;
- ii. "Company" means Chemokine Therapeutics Corp., the insolvent debtor;
- iii. "Court" means the Supreme Court of British Columbia;
- iv. "Court Ratification" means the approval of the Proposal by the Court having received the report of the Trustee and other relevant information from the Company or any interested creditor;
- v. "Filing Date" means December 5, 2008 the date of the Notice of Intention to make a Proposal was filed by the Company with the Office of the Superintendent of Bankruptcy;
- vi. "Levy" means the levy payable to the Superintendent of Bankruptcy pursuant to section 147 of the BIA;
- vii. "Unsecured Creditors" means those persons with claims that are proved in respect of debts and liabilities present or future to which the Company was subject at the Filing Date or to which may become subject by reason of any obligations incurred before the Filing Date, except for those claims:
 - a) that have been finally and conclusively disallowed or found by the Court not to be provable;
 - b) that are claims by Secured Creditors; or

- c) that are claims that are Administrative Fees and Expenses.
- viii. "Post filing goods and services" means in respect of this Proposal the goods supplied, services rendered or other consideration given to the Company with the approval of the Company after the Filing Date;
- ix. "Secured Creditors" means persons holding a valid mortgage, pledge, charge, lien, or privilege on or against the property of the Company or any part thereof as security for debt or liability due or accruing due to them by the Company; and
- x. "Trustee" means Deloitte & Touche Inc. or its duly appointed successor or successors appointed under or in connection with the carrying out of this Proposal.

2. CONDITIONS PRECEDENT

Company sought expressions of interest for its assets and the shares of the entity. As of the time of drafting of this Proposal, the Company received four (4) Letters of Interest ("LOI"). The Company is currently in discussions with these parties that have expressed an interest to determine the suitability and likelihood of a successfully asset/share sale. The funding of the Proposal is based on cash flow generated through the orderly sale of all the Company's assets. Certain assets are under license with the University of British Columbia ("UBC") and any sale of these assets will also require UBC's consent.

3. POST FILING GOODS AND SERVICES

All proper claims against the Company arising in respect of goods supplied, services rendered, loans advanced (including security therefor) or other consideration given after the Filing Date up to the date of approval of this Proposal by the Court and not otherwise dealt with pursuant to this Proposal shall be paid by the Company in the normal course of business or on such terms as may be arranged with the holders of such claims and in priority to the claims of Unsecured Creditors of the Company as at the Filing Date.

4. COMPROMISE AND RELEASE OF CLAIMS AGAINST DIRECTORS

Upon implementation of this Proposal, every person holding a claim (the "Releasers") against the present and former directors and officers of the Company or any Person who was or might be deemed by law to be a de facto director, officer or control person (collectively the "Directors and Officers") that arose prior to the Filing Date (or that arose after the Filing Date but which relates to the events which occurred prior to the Filing Date) that relates to obligations of the Debtor where the Directors and Officers or any of them are by law liable in their capacity as directors or officers for the payment of such obligations (the "D&O Claims"), shall be entitled to assert an unsecured or preferred claim ("Affected Claim") of \$10, in addition to such Person's other Affected Claims, and shall be deemed to have released, remised and forever discharged the Directors and Officers and their respective heirs, executors, administrators, successors and assigns (collectively the "Released Parties") of and from all manner of actions, causes of action, covenants, damages, debts, representations, suits, warranties, claims and demands whatsoever which against the Released Parties or any of them the Releasers or any of them ever had, now have or can, may and shall hereafter have for or by reason of any cause, matter or thing whatsoever arising out of or in any way connected with

the D&O Claims, provided however that nothing herein shall release or discharge or be deemed to have released or discharged any D&O Claims which cannot be released or discharged pursuant to Section 50(14) of the BIA.

5. SECURED CREDITORS **Nil**

While there are parties that have registered their security against the Company in the British Columbia Personal Property Registry, the Company believes there are no amounts outstanding to Secured Creditors. Accordingly the Company believes there are no Secured Creditors and this Proposal is not made to Secured Creditors.

6. PREFERRED CREDITORS **Nil**

That payment in priority to all other claims of all claims directed by the BIA to be so paid in the distribution of the property of the Company shall be provided for as follows:

Those proven claims as set forth in section 136(1) of the BIA ("Preferred Creditors") shall be paid in full as set forth therein in priority to all claims of Unsecured Creditors. Preferred claims will be paid in full no later than six months after Court ratification of the Proposal.

7. UNSECURED CREDITORS **approximately \$325,000**

THAT payment to the Unsecured Creditors shall be made in the following class:

Distribution will occur on a pro rata basis to all proven Unsecured Creditors after full payment has been made to any Secured, Preferred and deemed trust claims. Funding will be from the sale of all assets of the Company and distribution will occur when the sale of all assets is completed.

8. COMMERCIAL LEASES **approximately \$100,000**

Where the Company has disclaimed any lease of real property, the affected landlord shall have the right to file a Proof of Claim pursuant to subsection 65.2 (4)(b)(i) of the BIA, for the lesser of:

- i) the aggregate of:
 - a) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer or resiliation becomes effective, and
 - b) fifteen per cent of the rent for the remainder of the term of the lease after that year, and
- ii) three years' rent.

All claims of landlords under this paragraph shall be included as part of the class of Unsecured Creditors.

9. RECEIVER GENERAL OF CANADA

All outstanding source deductions which could be subject to a demand under subsection 224(1.2) of the *Income Tax Act*, or under any substantially similar provision of provincial legislation as at the date of filing the Notice of Intension to Make a Proposal will be paid within six months of Court approval of this Proposal; or as agreed to by Her Majesty. All outstanding unremitted Goods & Services Tax and for Provincial Sales Tax by the Province of British Columbia as at the date of filing the Notice of Intention to Make a Proposal will be paid in full within six months of Court approval of this Proposal.

10. ADMINISTRATIVE FEES AND EXPENSES

The proper fees and disbursements of the Trustee, including any legal costs of the Trustee and legal costs of the Company, of and incidental to any proceedings relating to, arising out of, or under the Proposal, including the preparation and implementation of the Proposal, shall be paid in priority to all claims of preferred and unsecured creditors.

11. APPOINTMENT OF DELOITTE & TOUCHE INC.

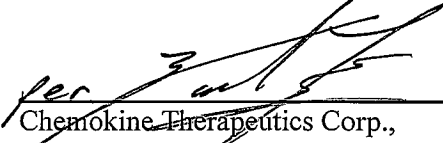
Deloitte & Touche Inc. of the city of Vancouver, British Columbia shall be the Trustee under this Proposal and shall have those powers granted to it by the Proposal and the BIA. Upon completion of the payment by the Trustee of the proven claims of creditors as provided for in paragraphs 6 to 9, Deloitte & Touche Inc. will have discharged its obligations as Trustee and shall be entitled to apply for its discharge as Trustee.

12. GENERAL

- a. THAT, the Trustee shall receive and disburse all funds to the creditors under this Proposal. The 5% levy shall be deducted from all payments for claims of Preferred and Unsecured Creditors.
- b. THAT, any notices to be sent by the Trustee pursuant to sections 135 and 149 of the BIA may be sent by ordinary mail.
- c. THAT, all persons who advance money, goods, services or credit to the Company after the filing of this Proposal will be paid in full by the Company in priority to Preferred and Unsecured Creditors existing at the said date. The Trustee shall not be personally liable for obligations and trade credit incurred pursuant to the provisions of this paragraph.
- d. THAT, the distribution of the monies by the Trustee pursuant to this Proposal to the Preferred and Unsecured Creditors shall constitute payment in full of their claims against the Company existing as of the date of this Proposal.
- e. THAT, the creditors may appoint up to five inspectors who will assist and advise the Trustee and who will have the right to grant extension of time for any payment required herein provided that they consider such relief to the debtor to be in the interests of the creditors and who may also approve payment to the Trustee of advances on its remuneration.

- f. THAT, the Trustee and Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal, or generally, in carrying out the terms of this Proposal, and each of them shall be liable only for any wilful and wrongful act, default or neglect.
- g. THAT, the Trustee is acting in its capacity as Trustee under the Proposal and not in its personal capacity and is not responsible or liable for any obligations of the Company.

Dated at Vancouver, British Columbia, this 23rd day of December, 2008.



Chemokine Therapeutics Corp.,
Walter Korz
consultant to Chemokine Therapeutics Corp.