

AUDIT COMMITTEE CHARTER CAPRICOR THERAPEUTICS, INC.

This Audit Committee Charter (this “Charter”) was adopted by the Board of Directors (the “Board”) of Capricor Therapeutics, Inc. (the “Company”) on November 22, 2013.

Certain provisions of this Charter were prepared with a view towards governance of the Company following a listing of the Company’s common stock on the Nasdaq Stock Market LLC (“Nasdaq”). Accordingly, not all provisions of this Charter may be appropriate during such time as the Company is not listing on Nasdaq. The Board or the Audit Committee of the Board (the “Committee”) reserves the right to waive or not to implement any of the provisions of this Charter which it may determine in its sole discretion to defer until such time as a Nasdaq listing has been effected, without the need for a formal amendment of this Charter.

I. PURPOSE

The purpose of the Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s bylaws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it. The approval of this Charter shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

Notwithstanding the foregoing, the Committee’s responsibilities are limited to oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements as well as the Company’s financial reporting process, accounting policies, internal accounting controls and disclosure controls and procedures. The independent auditors are responsible for performing an audit of the Company’s annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles and reviewing the Company’s quarterly financial statements. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosure are complete and accurate and in accordance with generally accepted accounting principles and applicable laws, rules and regulations. Each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts (including the Company’s

independent auditors) from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

Further, auditing literature defines the term “review” to include a particular set of required procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and the term “review” as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

II. MEMBERSHIP

The Committee shall consist of at least three (3) members of the Board. Each Committee member must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. Members of the Committee are not required to be engaged in the accounting and auditing profession and, consequently, some members may not be an expert in financial matters, or in matters involving auditing or accounting. However, at least one (1) member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. In addition, at least one (1) member of the Committee shall qualify as an “audit committee financial expert” within the definition adopted by the Securities and Exchange Commission (the “SEC”) in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies the definition of “audit committee financial expert” will also be presumed to have financial sophistication. No member of the Committee can have participated in the preparation of the Company’s or any of its subsidiaries’ financial statements at any time during the past three (3) years. Each Committee member shall satisfy the Nasdaq independence requirements and the requirements of Rule 10A-3 under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). No member of the Committee may serve simultaneously on the audit committee of more than two (2) other public companies.

The members of the Committee, including the Chairperson of the Committee (the “Chair”), shall be appointed by the Board based on recommendations from the Nominating and Corporate Governance Committee. Committee members may be removed from the Committee, with or without cause, by the Board.

III. MEETINGS AND PROCEDURES

The Chair (or, in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws that are applicable to the Committee.

The Committee shall meet at least once during each fiscal quarter and more frequently as the Committee deems desirable. The Committee shall meet separately, and periodically, with

management and with the independent auditor. The Committee shall, through the Chair, report regularly to the Board with respect to all material activities of the Committee and all material issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the independent auditors or such other matters as the Committee deems appropriate from time to time, or whenever so requested by the Board.

All non-management directors who are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, in its discretion, include in its meetings members of the Company's management, representatives of the independent auditor, any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including, but not limited to, any non-management director who is not a member of the Committee.

The Committee may retain any independent counsel, experts or advisors (accounting, financial or otherwise) that the Committee believes to be necessary or appropriate. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attestation services, for payment of compensation to any other accounting firm engaged to perform services for the Company, any outside counsel and any other advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee.

IV. POWERS AND RESPONSIBILITIES

Interaction with the Independent Auditors

1. *Appointment and Oversight.* The Committee shall be directly responsible for the selection, appointment, compensation, retention and oversight of the work of the independent auditors (including resolution of any disagreements between Company management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attestation services for the Company, and the independent auditors shall report directly to the Committee. The Committee has the power to terminate the Company's independent auditors, if necessary.

2. *Other Auditors.* The Committee shall be directly responsible for the selection, retention, compensation, oversight and termination, if necessary, of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company.

3. *Communication Prior to Engagement.* Prior to engagement of any prospective independent auditors, the Committee shall review a written disclosure by the prospective independent auditors of all relationships between the prospective independent auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence, and to discuss with the prospective independent auditors the potential effects of such relationships on the independence of the prospective independent auditors, consistent with Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence* (“Rule 3526”), of the Public Company Accounting Oversight Board (United States) (the “PCAOB”), or any successor rule to Rule 3526.

4. *Pre-Approval of Services.* Before the independent auditors are engaged by the Company or its subsidiaries to render audit services or non-audit services, the Committee shall pre-approve the engagement. Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company’s engagement of the independent auditor, provided the policies and procedures are detailed as to the particular service, the Committee is informed of each service provided and such policies and procedures do not include delegation of the Committee’s responsibilities under the Exchange Act to the Company’s management. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the full Committee at the next scheduled meeting. If the Committee elects to establish pre-approval policies and procedures regarding non-audit services, the Committee must be informed of each non-audit service provided by the independent auditor. Committee pre-approval of non-audit services (other than review and attestation services) also will not be required if such services fall within available exceptions established by the SEC.

5. *Independence of Independent Auditor.* The Committee shall, at least annually, review the independence and quality control procedures of the independent auditors and the experience and qualifications of the independent auditors’ senior personnel that are providing audit services to the Company. In conducting its review:

(a) The Committee shall obtain and review a report prepared by the independent auditors describing (i) the auditing firm’s internal quality-control procedures and (ii) any issues raised by the most recent internal quality-control review, peer review or PCAOB review or inspection of the auditing firm, or by any other inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues.

(b) The Committee shall ensure that, at least annually and consistent with Rule 3526, it receives and reviews written disclosures from the independent auditors delineating all relationships between the independent auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may be reasonably thought to bear on independence and a letter from the independent auditors affirming their independence, it considers and discusses with the independent auditors any potential effects of any such relationships on the independence of the auditors as well as any compensation or services that could affect the auditors’ objectivity and independence, and it assesses and otherwise takes

appropriate action to oversee the independence of the auditors. If the Committee determines that further inquiry is advisable, the Committee shall take appropriate action in response to the independent auditors' report to satisfy itself of the auditors' independence.

(c) The Committee shall, if applicable, consider whether the provision of any permitted information technology services or other non-audit services by the independent auditors to the Company is compatible with maintaining the independence of the independent auditors.

6. *Evaluation and Rotation.* At least annually, the Committee shall evaluate the qualifications (including the internal quality-control procedures and any material issues raised by that firm's most recent internal quality-control review or any investigations by regulatory authorities), performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner. The Committee also must monitor the rotation of the partners of the independent auditors on the Company's audit engagement team as required by applicable laws and rules and consider periodically and, if deemed appropriate, adopt a policy regarding rotation of auditing firms.

Annual Financial Statements and Annual Audit

7. *Meetings with Management and the Independent Auditors.*

(a) The Committee shall meet with management and the independent auditors in connection with each annual audit to discuss the scope of the audit, the procedures to be followed and the staffing of the audit.

(b) The Committee shall review and discuss with management and the independent auditors: (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) any analyses prepared by management or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative U.S. generally accepted accounting principles ("GAAP") methods on the Company's financial statements; and (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.

(c) The Committee shall review and discuss the annual audited financial statements (including the related notes) with management and the independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's annual report on Form 10-K before the Form 10-K is filed.

8. *Separate Meetings with the Independent Auditors.*

(a) The Committee shall review with the independent auditors and management (i) any problems or difficulties, including difficulties encountered by the

independent auditors during the course of the audit work, including any restrictions on the scope of activities or access to required information, (ii) any significant disagreements with management and (iii) management's responses to such problems, difficulties or disagreements. Among the items that the Committee should consider reviewing with the independent auditors are: (x) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise); (y) any communications between the audit team and the independent auditors' national office respecting auditing or accounting issues presented by the engagement; and (z) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company.

(b) The Committee shall discuss with the independent auditors the report that such auditors are required to make to the Committee regarding: (i) all critical accounting policies and practices to be used in the audit; (ii) all alternative treatments of financial information within GAAP for policies and practices related to material items that have been discussed among management and the independent auditors, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (iii) all other material written communications between the independent auditors and management of the Company, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditors' engagement letter, independent auditors' independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any.

(c) The Committee shall review with management and the independent auditors any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

(d) The Committee shall discuss, at least annually, with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, vol. 12, AU section 380), as adopted by the PCAOB in Rule 3200T (including any successor rule adopted by the PCAOB), and shall review and discuss with the independent auditors any other matters required to be discussed by PCAOB Auditing Standards No. 16.

(e) The Committee shall confer with management and the independent auditors, as appropriate, regarding the scope, adequacy and effectiveness of internal control over financial reporting including any special audit steps taken in the event of material control deficiencies. The Committee shall also review with management and the independent auditors any fraud, whether or not material, that includes management or other employees who have any significant role in the Company's internal control over financial reporting and any significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions in regard to significant deficiencies or material weaknesses.

9. *Recommendation to Include Financial Statements in Annual Report.* The Committee shall, based on its review and discussions in paragraphs 7(c) and 8(d) above, and based on the disclosures received from the independent auditors regarding its independence and discussions with the auditors regarding such independence, determine whether to recommend to the Board that the audited financial statements be included in the Company's annual report on Form 10-K for the fiscal year subject to such audit.

Quarterly Financial Statements

10. *Meetings with Management and the Independent Auditors.* The Committee shall review and discuss the quarterly financial statements with management and the independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed.

Other Powers and Responsibilities

11. The Committee shall have the authority to consider and, if deemed appropriate, adopt a policy regarding Committee pre-approval of employment by the Company of individuals employed or formerly employed by the Company's independent auditors and engaged on the Company's account.

12. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation and oversee the work of any outside counsel and other advisors.

13. The Committee shall review, discuss with management and the independent auditors, as appropriate, and approve earnings press releases and press releases containing other financial information, as well as the substance of financial information and earnings guidance provided to analysts and ratings agencies, which discussions may be general discussions of the type of information to be disclosed or the type of presentation to be made. The Chair of the Committee may represent the entire Committee for purposes of this discussion.

14. The Committee shall review the Company's compliance with applicable laws and regulations and review and oversee any policies, procedures and programs designed to promote such compliance.

15. The Committee shall review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable laws and rules.

16. The Committee shall review any transactions between the Company and a related person (as defined in Item 404 of Regulation S-K) on an ongoing basis, and all such transactions must be approved by the Committee.

17. The Committee shall discuss with management and the independent auditors any correspondence from or with regulators or governmental agencies, any employee complaints or

any published reports that raise material issues regarding the Company's financial statements, financial reporting process or accounting policies, in accordance with the terms of the Company's "Policies and Procedures for Complaints Regarding Accounting, Internal Accounting Controls, Fraud or Auditing Matters," as applicable.

18. The Committee shall discuss with the Company's General Counsel or outside counsel any legal matters brought to the Committee's attention that could reasonably be expected to have a material impact on the Company's financial statements.

19. The Committee shall review and discuss with management and the independent auditors, as appropriate, the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps taken by management to monitor and control these exposures.

20. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by Company employees regarding questionable accounting or auditing matters.

21. The Committee shall provide the Company with the audit committee report required by the rules of the SEC to be included in each of the Company's annual proxy statements.

22. The Committee shall, at least annually, perform an evaluation of the performance of the Committee and its members, including a review of the Committee's compliance with this Charter. The Committee shall present the results of its evaluation to the Board.

23. The Committee shall, at least annually, review and reassess this Charter and submit any recommended changes to the Board for its consideration.