

CAPRICOR THERAPEUTICS, INC.

POLICIES AND PROCEDURES FOR COMPLAINTS REGARDING ACCOUNTING, INTERNAL ACCOUNTING CONTROLS, FRAUD OR AUDITING MATTERS

The following procedures have been adopted by the Audit Committee of the Board of Directors of Capricor Therapeutics, Inc. (the “Company”) to govern the receipt, retention and treatment of complaints regarding the Company’s accounting, internal accounting controls or auditing matters, and to protect the confidential, anonymous reporting of employee concerns regarding questionable accounting or auditing matters.

POLICY

The Company is committed to full and accurate financial disclosure and to maintaining its books and records in compliance with all applicable laws, rules and regulations. The Company wishes to encourage employees and interested third-party vendors, customers and business partners to make us aware of any practices, procedures or circumstances that raise concerns about the integrity of our financial disclosures, books and records.

All employees and third parties making reports are asked to provide as much detail and supporting information as possible about their concerns in order to assist the investigative process. It is the policy of the Company to treat complaints about accounting, internal accounting controls, auditing matters or questionable financial practices (“Accounting Complaints”) seriously and expeditiously.

Employees will be given the opportunity to submit for review by the Company confidential and anonymous Accounting Complaints, including without limitation, the following:

- fraud against investors, securities fraud, mail or wire fraud, bank fraud or fraudulent statements to the Securities and Exchange Commission (“SEC”) or the investing public;
- violations of SEC rules and regulations or any other laws applicable to the Company’s financial accounting, maintenance of financial books and records, internal accounting controls and financial statement reviews or audits;
- fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;
- fraud or deliberate error in the recording or maintaining of Company financial records;
- deficiencies in or lack of compliance with the Company’s internal accounting controls;

- misrepresentation or false statement regarding a matter contained in or affecting the financial records, financial reports or audit reports of the Company; and
- deviation from the full and fair reporting of the Company's financial condition.

If requested by the employee, the Company will protect the confidentiality and anonymity of the employee to the fullest extent possible, consistent with the need to conduct an adequate review. Vendors, customers, business partners and other parties external to the Company will also be given the opportunity to submit Accounting Complaints; however, the Company is not obligated to keep Accounting Complaints from non-employees confidential or to maintain the anonymity of non-employees.

Accounting Complaints will be reviewed under Audit Committee direction and oversight by the Company's General Counsel or such other persons as the Audit Committee determines to be appropriate, taking into account all relevant facts and circumstances, including the identity of the alleged wrongdoer, the gravity of the alleged wrongdoing and the likelihood of a material adverse effect on the Company's reputation or financial statements.

The Company will abide by all laws that prohibit retaliation against employees who lawfully submit complaints under these procedures. The Company, the Audit Committee, nor any director, officer or employee of the Company will retaliate, directly or indirectly, against any Company employee who, in good faith, makes an Accounting Complaint or otherwise assists the Audit Committee, General Counsel, Company management or any other person or group, including any governmental, regulatory or law enforcement body, in investigating an Accounting Complaint.

The Company contracts with a third party to assist with the handling of complaints. The third-party, will comply with these policies and procedures.

PROCEDURES

Receipt of Accounting Complaints

1. **Website**: Any person may submit an Accounting Complaint on the Company's Compliance Hotline Website at [www.lighthouse-services.com/capricor]. Employees submitting this information need not provide their name or other personal information and reasonable efforts will be used to conduct the investigation that follows from an Accounting Complaint from an employee in a manner that protects the confidentiality and anonymity of the employee submitting the Accounting Complaint.
2. **Phone**: Any person may submit an Accounting Complaint on the Company's Compliance Hotline at (833) 401-0002. Employees submitting this information need not provide their name or other personal information and reasonable efforts will be used to conduct the investigation that follows from an Accounting Complaint from an employee in a manner that protects the confidentiality and anonymity of the employee submitting the Accounting Complaint.
3. **Written Complaints**: Any person may submit a written Accounting Complaint to the General Counsel at the following address:

Capricor, Inc.
8840 Wilshire Boulevard, 2nd Floor
Beverly Hills, CA 90211
Attention: General Counsel

Employees submitting this information need not provide their name or other personal information and reasonable efforts will be used to conduct the investigation that follows from an Accounting Complaint from an employee in a manner that protects the confidentiality and anonymity of the employee submitting the Accounting Complaint.

Treatment of Accounting Complaints

1. An Accounting Complaint made under these procedures shall be directed to the General Counsel and the chairperson of the Audit Committee. The General Counsel and the chairperson of the Audit Committee shall report directly to the Audit Committee on all such matters.
2. The General Counsel shall review the Accounting Complaint and may investigate it himself or herself or may assign another employee, outside counsel, advisor, expert or third-party service provider to investigate, or assist in investigating, the Accounting Complaint. The General Counsel may direct that any individual assigned to investigate an Accounting Complaint work at the direction of or in conjunction with the General Counsel or any other attorney in the course of the investigation.
3. Unless otherwise directed by the General Counsel, the person assigned to investigate will conduct an investigation of the Accounting Complaint and report his or her findings or recommendations to the General Counsel. If the investigator is in a position to recommend appropriate disciplinary or corrective action, the investigator also may recommend disciplinary or corrective action.
4. If determined to be necessary by the General Counsel or the Audit Committee, the Company shall provide for appropriate funding, as determined by the General Counsel or the Audit Committee, to obtain and pay for additional resources that may be necessary to conduct the investigation, including without limitation, retaining outside counsel, including outside legal or accounting expertise, and/or expert witnesses; provided that funding in excess of \$25,000 with respect to the investigation of any individual Accounting Complaint must be approved by the Audit Committee.
5. The General Counsel or, where applicable, the Audit Committee, with the input of the investigator and Company management, if requested, will determine any corrective action in response to a reported complaint or concern, as appropriate. Directors, officers and employees that are found to have violated any laws, governmental regulations or Company policies will face appropriate, case specific disciplinary action, which may include demotion or discharge.
6. At least once per each calendar quarter, and at any other times deemed necessary, the General Counsel shall submit a report to the Audit Committee, and to any other member of Company management that the Audit Committee directs to receive such report, that

summarizes each Accounting Complaint made within the last 12 months and shows specifically: (a) the complainant (unless anonymous, in which case the report will so indicate), (b) a description of the substance of the Accounting Complaint, (c) the status of the investigation, (d) any conclusions reached by the investigator, and (e) findings and recommendations.

7. At any time with regard to any Accounting Complaint, the General Counsel may specify a different procedure for investigating and treating such Accounting Complaint, such as when the Accounting Complaint concerns pending litigation.

Access to Reports and Records and Disclosure of Investigation Results

All reports and records associated with Accounting Complaints are considered confidential information and access will be restricted to members of the Audit Committee, the Company's General Counsel, employees of the Company or outside counsel involved in investigating an Accounting Complaint as contemplated by these procedures. Access to reports and records may be granted to other parties at the discretion of the Audit Committee.

Accounting Complaints and any resulting investigations, reports or actions will generally not be disclosed to the public except as required by any legal requirements or regulations or by any corporate policy in place at the time.

Retention of Records

All Accounting Complaints and documents relating to such Accounting Complaints made through the procedures outlined above shall be retained for at least five years from the date of the complaint, after which the information may be destroyed unless the information may be relevant to any pending or potential litigation, inquiry, or investigation, in which case the information may not be destroyed and must be retained for the duration of that litigation, inquiry, or investigation and thereafter as necessary.

FALSE COMPLAINTS

Employees are hereby informed that false and/or unsubstantiated Accounting Complaints may result in civil and/or criminal complaint or suit, without prejudice to the measures that the Company could take in case of knowingly and/or recklessly false and/or unsubstantiated Accounting Complaints.