UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2021**

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission File Number: 001-34058

CAPRICOR THERAPEUTICS, INC.

(Exact Name Of Registrant As Specified In Its Charter)

Delaware	**88-0363465**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8840 Wilshire Blvd., 2nd Floor, Beverly Hills, California 90211
(Address of principal executive offices including zip code)

(310) 358-3200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	CAPR	The Nasdaq Capital Market

As of August 12, 2021, there were23,022,155 shares of the registrant's common stock, par value $0.001 per share, issued and outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- how long we expect to maintain liquidity to fund our planned level of operations and our ability to obtain additional funds for our operations;
- the development of our drug and vaccine candidates, including when we expect to undertake, initiate and complete clinical trials of our drug and vaccine candidates;
- the expectation, plans, projections, initiation, timing, progress and results of our research and development programs, preclinical studies, any clinical trials, compassionate uses, Investigational New Drug ("IND") filings, Clinical Trial Application ("CTA") filings, New Drug Application ("NDA") filings, and other regulatory submissions;
- regulatory developments involving products, including the ability to obtain regulatory approvals or otherwise bring products to market;
- the regulatory status of our drug and vaccine candidates, including our ability to obtain and maintain orphan drug, rare pediatric and Regenerative Medicine Advanced Therapy ("RMAT") designations for our lead product candidate, CAP-1002;
- our use of clinical research centers, third party manufacturers and other contractors;
- our ability to find collaborative partners for research, development and commercialization of potential products and retain commercial rights for our product candidates in the collaborations;
- our ability to manufacture products for clinical and commercial use;
- our ability to procure materials necessary for the manufacture of our product candidates;
- our ability to protect our patents and other intellectual property;
- the potential impact of COVID-19 on our business, including our ability to conduct clinical trials and further product candidate development;
- our ability to raise additional financing and the terms of any additional financing;
- our ability to market any of our products;
- the implementation of our business model and strategic plans for our business, technologies and product candidates;
- our estimates of our expenses, ongoing losses, future revenue and capital requirements;
- the impact of taxes on our business;
- our ability to compete against other companies and research institutions;
- our ability to expand our operations internationally;
- the effect of potential strategic transactions on our business;
- acceptance of our products by doctors, patients or payors and the availability of reimbursement for our product candidates;
- our ability to attract and retain key personnel; and
- the volatility of our stock price.

We caution you that the forward-looking statements highlighted above do not encompass all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and

other factors. Moreover, we operate in a very competitive and challenging environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. Additionally, final data may differ significantly from preliminary data reported in this document.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make, if any.

This Quarterly Report on Form 10-Q also contains data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. Although we believe that the third-party sources referred to in this Quarterly Report on Form 10-Q are reliable, we have not independently verified the information provided by these third parties. While we are not aware of any misstatements regarding any third-party information presented in this report, their estimates, in particular, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

CAPRICOR THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS

	June 30, 2021 (Unaudited)	December 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 38,077,964	$ 32,665,874
Prepaid expenses and other current assets	653,336	1,011,209
TOTAL CURRENT ASSETS	38,731,300	33,677,083
PROPERTY AND EQUIPMENT, net	1,110,051	850,847
OTHER ASSETS		
Intangible assets, net of accumulated amortization of $ 259,682 and $257,517, respectively	—	2,165
Other assets	88,701	88,701
TOTAL ASSETS	$ 39,930,052	$ 34,618,796
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,173,663	$ 2,724,593
Note payable, current	—	246,689
TOTAL CURRENT LIABILITIES	3,173,663	2,971,282
LONG-TERM LIABILITIES		
Note payable, net of current	—	71,471
CIRM liability	3,376,259	3,376,259
TOTAL LONG-TERM LIABILITIES	3,376,259	3,447,730
TOTAL LIABILITIES	6,549,922	6,419,012
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value, 50,000,000 shares authorized, 22,998,434 and 20,577,123 shares issued and outstanding, respectively	22,998	20,577
Additional paid-in capital	131,295,080	116,216,966
Accumulated deficit	(97,937,948)	(88,037,759)
TOTAL STOCKHOLDERS' EQUITY	33,380,130	28,199,784
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 39,930,052	$ 34,618,796

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
REVENUE				
Revenue	$ 204,082	$ 49,864	$ 244,898	$ 235,557
TOTAL REVENUE	204,082	49,864	244,898	235,557
OPERATING EXPENSES				
Research and development	3,497,275	1,927,473	6,793,597	3,082,629
General and administrative	1,789,974	1,610,237	3,695,556	2,748,282
TOTAL OPERATING EXPENSES	5,287,249	3,537,710	10,489,153	5,830,911
LOSS FROM OPERATIONS	(5,083,167)	(3,487,846)	(10,244,255)	(5,595,354)
OTHER INCOME (EXPENSE)				
Investment income	16,741	3,692	25,906	26,382
Forgiveness of debt	318,160	—	318,160	—
TOTAL OTHER INCOME (EXPENSE)	334,901	3,692	344,066	26,382
NET LOSS	(4,748,266)	(3,484,154)	(9,900,189)	(5,568,972)
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gain on marketable securities	—	—	—	757
COMPREHENSIVE LOSS	$ (4,748,266)	$ (3,484,154)	$ (9,900,189)	$ (5,568,215)
Net loss per share, basic and diluted	$ (0.21)	$ (0.23)	$ (0.44)	$ (0.51)
Weighted average number of shares, basic and diluted	22,861,051	15,130,685	22,546,634	11,004,733

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	For the Six Months Ended June 30, 2021				
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT			
Balance at December 31, 2020	20,577,123	$ 20,577	$ 116,216,966	$ (88,037,759)	$ 28,199,784
Issuance of common stock, net of fees	2,218,874	2,219	12,576,307	—	12,578,526
Stock-based compensation	—	—	752,962	—	752,962
Stock options exercised	1,933	2	1,434	—	1,436
Net loss	—	—	—	(5,151,923)	(5,151,923)
Balance at March 31, 2021	22,797,930	$ 22,798	$ 129,547,669	$ (93,189,682)	$ 36,380,785
Issuance of common stock, net of fees	200,504	200	1,035,112	—	1,035,312
Stock-based compensation	—	—	712,299	—	712,299
Net loss	—	—	—	(4,748,266)	(4,748,266)
Balance at June 30, 2021	22,998,434	$ 22,998	$ 131,295,080	$ (97,937,948)	$ 33,380,130

	For the Six Months Ended June 30, 2020					
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				
Balance at December 31, 2019	5,227,398	$ 5,227	$ 81,215,647	$ (757)	$ (74,380,731)	$ 6,839,386
Issuance of common stock, net of fees	444,500	446	4,459,764	—	—	4,460,210
Exercise of pre-funded common stock warrants	3,158,304	3,158	—	—	—	3,158
Exercise of common warrants	78,304	78	86,056	—	—	86,134
Issuance of shares in abeyance	280,000	280	(280)	—	—	—
Stock-based compensation	—	—	287,807	—	—	287,807
Unrealized gain on marketable securities	—	—	—	757	—	757
Net loss	—	—	—	—	(2,084,818)	(2,084,818)
Balance at March 31, 2020	9,188,506	$ 9,189	$ 86,048,994	$ —	$ (76,465,549)	$ 9,592,634
Issuance of common stock, net of fees	3,059,959	3,060	19,492,179	—	—	19,495,239
Exercise of common warrants	4,172,390	4,172	5,340,016	—	—	5,344,188
Issuance of shares in abeyance	3,275,500	3,276	(3,276)	—	—	—
Stock-based compensation	—	—	704,350	—	—	704,350
Stock options exercised	1,221	1	1,696	—	—	1,697
Net loss	—	—	—	—	(3,484,154)	(3,484,154)
Balance at June 30, 2020	19,697,576	$ 19,698	$ 111,583,959	$ —	$ (79,949,703)	$ 31,653,954

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended June 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,900,189)	$ (5,568,972)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	102,332	65,614
Stock-based compensation	1,465,261	992,157
Forgiveness of debt	(318,160)	—
Change in assets - (increase) decrease:		
Receivables	—	38,104
Prepaid expenses and other current assets	357,873	321,506
Other assets	—	37,162
Change in liabilities - increase (decrease):		
Accounts payable and accrued expenses	449,070	879,589
NET CASH USED IN OPERATING ACTIVITIES	(7,843,813)	(3,234,840)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	—	(6,130,193)
Proceeds from sales and maturities of marketable securities	—	12,117,000
Purchases of property and equipment	(359,371)	(107,458)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(359,371)	5,879,349
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sale of common stock	13,613,838	23,955,449
Proceeds from note payable	—	318,160
Proceeds from exercise of warrants	—	5,433,480
Proceeds from stock options	1,436	1,697
NET CASH PROVIDED BY FINANCING ACTIVITIES	13,615,274	29,708,786
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,412,090	32,353,295
Cash and cash equivalents balance at beginning of period	32,665,874	3,899,328
Cash and cash equivalents balance at end of period	$ 38,077,964	$ 36,252,623
SUPPLEMENTAL DISCLOSURES:		
Interest paid in cash	$ —	$ —
Income taxes paid in cash	$ —	$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Capricor Therapeutics, Inc., a Delaware corporation (referred to herein as "Capricor Therapeutics" or the "Company" or "we"), is a biotechnology company focused on the development of transformative cell and exosome-based therapeutics for the treatment and prevention of a broad spectrum of diseases. Capricor, Inc. ("Capricor"), a wholly-owned subsidiary of Capricor Therapeutics, was founded in 2005 as a Delaware corporation based on the innovative work of its founder, Eduardo Marbán, M.D., Ph.D. After completion of a merger between Capricor and a subsidiary of Nile Therapeutics, Inc., a Delaware corporation ("Nile"), on November 20, 2013, Capricor became a wholly-owned subsidiary of Nile and Nile formally changed its name to Capricor Therapeutics, Inc. Capricor Therapeutics, together with its subsidiary, Capricor, has multiple active drug and vaccine candidates in various stages of development.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements for Capricor Therapeutics and its wholly-owned subsidiary have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and with the instructions to Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP. In the Company's opinion, all adjustments, consisting of normal and recurring adjustments, considered necessary for a fair presentation have been included. The accompanying financial information should be read in conjunction with the financial statements and the notes thereto in the Company's most recent Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (the "SEC") on March 15, 2021, from which the December 31, 2020 consolidated balance sheet has been derived. Interim results are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

Certain reclassification of prior period amounts has been made to conform to the current year presentation.

Basis of Consolidation

Our condensed consolidated financial statements include the accounts of the Company and our wholly-owned subsidiary. All intercompany transactions have been eliminated in consolidation.

Liquidity

The Company has historically financed its research and development activities as well as operational expenses from equity financings, government grants, a payment from a former collaboration partner, a loan award and a grant from the California Institute for Regenerative Medicine ("CIRM").

Cash and cash equivalents as of June 30, 2021 were approximately $38.1 million, compared to approximately $32.7 million as of December 31, 2020. The Company has entered into a Common Stock Sales Agreement with H.C. Wainwright & Co. LLC ("Wainwright") to create at-the-market equity programs under which the Company from time to time offered and sold shares of its common stock, par value $0.001 per share (see Note 3 - "Stockholders' Equity").

The Company's principal uses of cash are for research and development expenses, general and administrative expenses, capital expenditures and other working capital requirements.

The Company's future expenditures and capital requirements may be substantial and will depend on many factors, including, but not limited to, the following:

- the timing and costs associated with its research and development activities, clinical trials and preclinical studies;
- the timing and costs associated with the manufacturing of its product candidates;
- the timing and costs associated with commercialization of its product candidates;
- the number and scope of its research programs; and
- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights.

The Company's options for raising additional capital include potentially seeking additional financing primarily from, but not limited to, the sale and issuance of equity or debt securities, the licensing or sale of its technology and other assets, and from government grants.

The Company will require substantial additional capital to fund its operations, in particular if it elects to expand its clinical programs as contemplated by its current business plan. The Company cannot provide assurances that financing will be available when and as needed or that, if available, financing will be available on favorable or acceptable terms. If the Company is unable to obtain additional financing when and if required, it would have a material adverse effect on the Company's business and results of operations. The Company would likely need to delay, curtail or terminate all or portions of its clinical trial programs. To the extent the Company issues additional equity securities, its existing stockholders would experience substantial dilution.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The most sensitive estimates relate to the assumptions used to estimate stock-based compensation expense. Management uses its historical records and knowledge of its business in making these estimates. Accordingly, actual results may differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of less than 30 days at the date of purchase to be cash equivalents.

Marketable Securities

The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. All of the Company's marketable securities are considered as available-for-sale and carried at estimated fair values. Realized gains and losses on the sale of debt and equity securities are determined using the specific identification method. Unrealized gains and losses on available-for-sale securities are excluded from net income (loss) and reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity.

Property and Equipment

Property and equipment are stated at cost. Repairs and maintenance costs are expensed in the period incurred. Depreciation is computed using the straight-line method over the related estimated useful life of the asset, which such estimated useful lives range from five to seven years. Leasehold improvements are depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term. Depreciation was $100,167 and $63,449 for the six months ended June 30, 2021 and 2020, respectively.

Property and equipment, net consisted of the following:

	June 30, 2021	December 31, 2020
Furniture and fixtures	$ 48,676	$ 48,676
Laboratory equipment	1,833,079	1,473,708
Leasehold improvements	47,043	47,043
	1,928,798	1,569,427
Less accumulated depreciation	(818,747)	(718,580)
Property and equipment, net	$ 1,110,051	$ 850,847

Intangible Assets

Amounts attributable to intellectual property consist primarily of the costs associated with the acquisition of certain technologies, patents, pending patents and related intangible assets with respect to research and development activities. Certain intellectual property assets are stated at cost and amortized on a straight-line basis over the respective estimated useful lives of the assets ranging from five to fifteen years. Other intellectual property is expensed as incurred. Total amortization expense was $2,165 for each of the six months ended June 30, 2021 and 2020. All capitalized intellectual property has been fully amortized as of June 30, 2021

The Company reviews goodwill and intangible assets at least annually for possible impairment. Goodwill and intangible assets are reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. No impairment was recorded for the six months ended June 30, 2021 and 2020.

Leases

Effective January 1, 2019, the Company adopted ASC Topic 842, “Leases” (“ASC 842”), using the optional transition method utilizing the effective date as its date of initial application, for which prior periods are presented in accordance with the previous guidance in ASC Topic 840, “Leases” (“ASC 840”).

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than 12 months are recognized on the balance sheet as right of use assets and short-term and long-term lease liabilities, as applicable. The Company has elected not to recognize on the balance sheet leases with terms of 12 months or less. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company’s assessment unless there is reasonable certainty that the Company will renew. The Company monitors its plans to renew its leases no less than on a quarterly basis. In addition, the Company’s lease agreements generally do not contain any residual value guarantees or restrictive covenants.

Operating lease liabilities and their corresponding right of use assets are recorded based on the present value of future lease payments over the expected remaining lease term at lease commencement. Lease cost for operating leases is recognized on a straight-line basis over the lease term as an operating expense. Certain adjustments to the right of use asset may be required for items such as lease prepayments or incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. In transition to ASC 842, the Company utilized the remaining lease term of its leases in determining the appropriate incremental borrowing rate.

In accordance with ASC 842, components of a lease should be bifurcated between lease components and non-lease components. The fixed and in-substance fixed contract consideration identified must then be allocated based on the respective relative fair values to the lease components and non-lease components. However, ASC 842 provides a practical expedient that allows an accounting policy election to not separate lease and non-lease components by class of underlying assets. In using this expedient, the lease component and non-lease components are accounted for together as a single

component. For real estate leases, the Company has elected to account for the lease and non-lease components together for existing classes of underlying assets and allocates the contract consideration to the lease component only. This practical expedient is not elected for manufacturing facilities and equipment embedded in product supply arrangements.

Revenue Recognition

The company applies ASU 606, *Revenue from Contracts with Customers*, for all contracts.

Government Research Grants

Generally, government research grants that provide funding for research and development activities are recognized as income when the related expenses are incurred, as applicable. Because the terms of the grant award from CIRM (the "CIRM Award') allow Capricor to elect to convert the grant into a loan after the end of the project period, the CIRM Award is being classified as a liability rather than income (see Note 6 - "Government Grant Awards"). Grant income is due upon submission of a reimbursement request. The transaction price varies for grant income based on the expenses incurred under the awards.

Miscellaneous Income

Revenue is recognized in connection with the delivery of doses which were developed as part of our past R&D efforts. Income is recorded when the Company has satisfied the obligations as identified in the contracts with the customer (see Note 9 – "Related Party Transactions"). Miscellaneous income is due upon billing. Miscellaneous income is based on contracts with fixed transaction prices.

Research and Development

Costs relating to the design and development of new products are expensed as research and development as incurred in accordance with Financial Accounting Standards Board ("FASB") ASC 730-10, *Research and Development*. Research and development costs amounted to approximately $3.5 million and $1.9 million for the three months ended June 30, 2021 and 2020, respectively, and approximately $6.8 million and $3.1 million for the six months ended June 30, 2021 and 2020, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) generally represents all changes in stockholders' equity during the period except those resulting from investments by, or distributions to, stockholders. The Company's comprehensive loss was approximately $4.7 million and $3.5 million for the three months ended June 30, 2021 and 2020, respectively, and approximately $9.9 million and $5.6 million for the six months ended June 30, 2021 and 2020, respectively. The Company's other comprehensive income (loss) is related to a net unrealized gain (loss) on marketable securities.

Clinical Trial Expense

As part of the process of preparing our condensed consolidated financial statements, we are required to estimate our accrued expenses. Our clinical trial accrual process is designed to account for expenses resulting from our obligations under contracts with vendors, consultants, and contract research organizations ("CROs"), and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided to us under such contracts. Our objective is to reflect the appropriate clinical trial expenses in our consolidated financial statements by matching the appropriate expenses with the period in which services are provided and efforts are expended. We account for these expenses according to the progress of the trial as measured by patient progression and the timing of various aspects of the trial. We determine accrual estimates through financial models that take into account discussion with applicable personnel and outside service providers as to the progress or state of completion of trials, or the services completed. During the course of a clinical trial, we adjust our clinical expense recognition if actual results differ from our estimates. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial

statements based on the facts and circumstances known to us at that time. Our clinical trial accrual and prepaid assets are dependent, in part, upon the receipt of timely and accurate reporting from CROs and other third-party vendors. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting amounts that are too high or too low for any particular period.

Business Uncertainty Related to the Coronavirus

As a result of the COVID-19 coronavirus, uncertainties have arisen that have impacted enrollment of and the ability to conduct clinical trials, deliverables related to contract performance, payments from trial sponsors including Cedars-Sinai Medical Center ("CSMC"), as we describe further below, workforce stability, supply chain disruptions or delays, timing of grant disbursements as well as other potential business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its expected duration and as a result, the Company is considering the impact of COVID-19 on its ability to conduct both preclinical development and clinical studies. In addition to potential impact on grant disbursements, there may be risks to the Company's ability to obtain financing from other sources due to the impact of the coronavirus. There could be other financial impacts on our business due to the coronavirus, the specifics of which are unknown at this time.

In light of uncertainties due to COVID-19 and its economic and other impacts and to uncertainties around the timing and availability of grant disbursements, the loss of revenue from the delays of the REGRESS and ALPHA trials as well as any potential equity and debt financings, the Company applied for a loan under the Small Business Administration (the "SBA") Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). On April 29, 2020, the Company was approved and received a loan of $318,160 (the "Loan") under the SBA Paycheck Protection Program of the CARES Act (see Note 2 – "Note Payable").

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with guidance issued by the FASB, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, consultants, and directors based on estimated fair values.

The Company estimates the fair value of stock-based compensation awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's statements of operations and comprehensive loss. The Company estimates the fair value of stock-based compensation awards using the Black-Scholes model. This model requires the Company to estimate the expected volatility and value of its common stock and the expected term of the stock options, all of which are highly complex and subjective variables. The variables take into consideration, among other things, actual and projected stock option exercise behavior. For employees and directors, the expected life was calculated based on the simplified method as described by the SEC Staff Accounting Bulletin No. 110, Share-Based Payment. For other service providers, the expected life was calculated using the contractual term of the award. The Company's estimate of expected volatility was based on the historical stock price of the Company. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the options.

Basic and Diluted Loss per Share

The Company reports earnings per share in accordance with FASB ASC 260-10,*Earnings per Share.* Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential shares of common stock had been issued and if the additional shares of common stock were dilutive.

As of June 30, 2021 and 2020, warrants and options to purchase3,748,962 and 2,607,117 shares of common stock, respectively, have been excluded from the computation of potentially dilutive securities. Potentially dilutive

common shares, which primarily consist of stock options issued to employees, consultants, and directors as well as warrants issued, have been excluded from the diluted loss per share calculation because their effect is anti-dilutive. Because the impact of these items is anti-dilutive during periods of net loss, there was no difference between basic and diluted loss per share for the three and six months ended June 30, 2021 and 2020.

Fair Value Measurements

Assets and liabilities recorded at fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The categories are as follows:

Level Input:	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Carrying amounts reported in the balance sheet of cash and cash equivalents, accounts payable and accrued expenses approximate fair value due to their relatively short maturity. The carrying amounts of the Company's marketable securities are based on market quotations from national exchanges at the balance sheet date. Interest and dividend income are recognized separately on the income statement based on classifications provided by the brokerage firm holding the investments. The fair value of borrowings is not considered to be significantly different from its carrying amount because the stated rates for such debt reflect current market rates and conditions.

Recent Accounting Pronouncements

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808):* clarifying the interaction between Topic 808 and Topic 606. The amendments in the update clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account; adds unit-of-account guidance in Topic 808 to align with the guidance in Topic 606 when an entity is assessing whether the collaborative arrangement or a party to the arrangement is within the scope of Topic 606; requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. The amendments for this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted ASU 2018-18 and all subsequent updates related to this topic in the first quarter of 2020. The adoption of this update did not have a material impact on the Company's financial statements.

In October 2019, the FASB issued ASU 2019-12, which affects general principles within Topic 740, *Income Taxes*. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2019-12 in the first quarter of 2021. The adoption of this update did not have a material impact on the Company's financial statements and footnote disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the SEC, did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statement presentation or disclosures.

2. NOTE PAYABLE

Paycheck Protection Program Loan

In the second quarter of 2020, Capricor applied to City National Bank ("CNB") under the SBA Paycheck Protection Program of the CARES Act for the Loan in the amount of $318,160. The Loan was approved and Capricor received the Loan proceeds, which we used for covered payroll costs in accordance with the relevant terms and conditions of the CARES Act.

The Loan, which took the form of a promissory note issued by Capricor (the "Promissory Note"), had a two-year term, was set to mature on April 29, 2022, and was to bear interest at a rate of 1.0% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness, were to commence 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 or 24 weeks). Loan payments were to be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. Capricor did not provide any collateral or guarantees for the Loan, nor did Capricor pay any facility charge to obtain the Loan. The Promissory Note provided for customary events of default, including, among others, those relating to failure to make payment, bankruptcy, breaches of representations and material adverse events. Capricor had the right to prepay the principal of the Loan at any time without incurring any prepayment charges.

The Company submitted a loan forgiveness application to CNB in the first quarter of 2021. The Company was notified in April 2021 by the SBA that the Loan was forgiven. The Company recognized a gain on forgiveness in the second quarter of 2021.

3. STOCKHOLDER'S EQUITY

ATM Programs and Other Offerings

The Company has established multiple "at-the-market" ("ATM"), programs pursuant to a Common Stock Sales Agreement with Wainwright by which Wainwright sold and may continue to sell our common stock at the market prices prevailing at the time of sale. Wainwright is entitled to compensation for its services at a commission rate of 3.0% of the gross sales price per share of common stock sold plus reimbursement of certain expenses. These programs are referred to below as the "August 2019 ATM Program," the "May 2020 ATM Program," and the "June 2021 ATM Program" based on when each program was initiated. In addition, the Company completed a public offering of its common stock in December 2019 and a warrant inducement offer in March 2020.

August 2019 ATM Program

On August 29, 2019, the Company initiated the August 2019 ATM Program. From August 29, 2019 through May 4, 2020, the Company sold an aggregate of 360,316 shares of common stock under the August 2019 ATM Program at an average price of approximately $3.07 per share for gross proceeds of approximately $1.1 million. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to Wainwright, as well as legal and accounting fees in the aggregate amount of approximately $0.1 million. As of May 4, 2020, the August 2019 ATM Program has expired and been replaced with the May 2020 ATM Program described below.

May 2020 ATM Program

On May 4, 2020, the Company initiated the May 2020 ATM Program. The Company filed the May 2020 ATM with an aggregate offering price of up to $40.0 million. Since May 4, 2020 and through June 21, 2021, the Company sold an aggregate of 6,027,852 shares of common stock under the May 2020 ATM Program at an average price of approximately $6.15 per share for gross proceeds of approximately $37.1 million. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to Wainwright, as well as legal and accounting fees in the aggregate amount of approximately $1.2 million. As of June 21, 2021, the May 2020 ATM Program has expired and been replaced with the June 2021 ATM Program described below.

June 2021 ATM Program

On June 21, 2021, the Company initiated the June 2021 ATM Program. The Company filed the June 2021 ATM with an aggregate offering price of up to $75.0 million. Since June 21, 2021 and through June 30, 2021, the Company sold an aggregate of120,504 shares of common stock under the June 2021 ATM Program at an average price of approximately $ 5.60 per share for gross proceeds of approximately $0.7 million. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to Wainwright, as well as legal and accounting fees in the aggregate amount of approximately $36,000. Additionally, subsequent to June 30, 2021, the Company sold shares under the June 2021 ATM Program (see Note 10 – "Subsequent Events").

December 2019 Financing

In December 2019, the Company completed a public offering pursuant to which the Company issued (i)531,173 shares of its common stock, (ii) warrants (the "December 2019 Common Warrants") to purchase up to 4,139,477 shares of common stock, and (iii) pre-funded warrants to purchase up to 3,608,304 shares of common stock, at a combined purchase price of $1.226 per share and associated December 2019 Common Warrant and $ 1.225 per pre-funded warrant and associated December 2019 Common Warrant, for an aggregate purchase price of approximately $5.1 million. The Company issued (a) to each purchaser of shares in the offering a December 2019 Common Warrant to purchase a number of shares of common stock equal to the number of shares purchased by such purchaser in the offering, and (b) to each purchaser of pre-funded warrants in the offering a December 2019 Common Warrant to purchase a number of shares of common stock equal to the number of pre-funded warrant shares underlying the pre-funded warrants purchased by such purchaser in the offering. In connection with the offering, the Company issued to designees of Wainwright, the placement agent for the offering, warrants (the "December 2019 Placement Agent Warrants") to purchase an aggregate of 203,915 shares of common stock. The December 2019 Placement Agent Warrants have an exercise price of $ 1.5325 per share, are immediately exercisable and expire in December 2024. Fees paid in conjunction with the deal, which included placement agent commissions, management fees, legal costs, and other offering expenses, amount to approximately $0.7 million in the aggregate and were recorded as a reduction to additional paid-in capital, resulting in net proceeds of approximately $4.4 million. As of June 30, 2021, 61,173 December 2019 Common Warrants remained outstanding under the December 2019 Financing.

March 2020 Warrant Inducement

On March 25, 2020, the Company entered into a letter agreement (the "Exercise Agreement") with a holder of December 2019 Common Warrants (the "Exercising Holder"). Pursuant to the Exercise Agreement, in connection with exercise by the Exercising Holder of the remaining 4,000,000 December 2019 Common Warrants held by the Exercising Holder which had not been previously exercised, the Company agreed to issue 4,000,000 additional warrants (the "New Warrants") to purchase Common Stock. The December 2019 Common Warrants had a per share exercise price of $ 1.10, and pursuant to the Exercise Agreement, the Exercising Holder agreed to pay $1.225 per share to cover both the exercise price of the December 2019 Common Warrants and a $ 0.125 per share purchase price for the New Warrants. The New Warrants have an exercise price of $ 1.27 per share. A total of 724,500 shares were issued to the Exercising Holder, with the remaining 3,275,500 shares being held in abeyance until such time as it would not result in the Exercising Holder exceeding its beneficial ownership limitation of 4.99% of the Company's outstanding common stock. In the second quarter of 2020, the Company issued all shares that were being held in abeyance.

The New Warrants and the shares of Common Stock issuable upon the exercise of the New Warrants were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were offered pursuant to the exemption provided in Section 4(a)(2) under the Securities Act or Rule 506(b) promulgated thereunder. The New Warrants are exercisable immediately upon issuance, and have a term of exercise of 5 1/2 years.

The exercise of December 2019 Common Warrants by the Exercising Holder generated gross proceeds of approximately $4.9 million. Fees paid in conjunction with the Exercise Agreement, which included placement agent commissions, legal costs, and other offering expenses, amount to approximately $0.4 million. In connection with the Exercise Agreement, certain employees of the placement agent were issued new warrants (the "March 2020 Placement Agent Warrants") to purchase an aggregate of 200,000 shares of common stock. The March 2020 Placement Agent

Warrants have an exercise price of $1.5313 per share and expire in March 2025. The holders of each of the New Warrants and of the March 2020 Placement Agent Warrants have the option to make a cashless exercise of such warrant if no resale registration statement covering the shares of the Company's Common Stock underlying such warrant is effective after six months. On May 7, 2020, the Company filed a resale registration statement on Form S-3 for the shares underlying the New Warrants and March 2020 Placement Agent Warrants, and that resale registration statement was declared effective by the SEC on May 19, 2020. As of June 30, 2021, 65,000 March 2020 Placement Agent Warrants remained outstanding under the March 2020 Warrant Inducement.

Outstanding Shares

At June 30, 2021, the Company had 22,998,434 shares of common stock issued andoutstanding.

4. STOCK AWARDS, WARRANTS AND OPTIONS

Warrants

The following table summarizes all warrant activity for the six months ended June 30, 2021:

	Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2020	126,173	$ 1.32
Granted	—	—
Exercised	—	—
Outstanding at June 30, 2021	126,173	$ 1.32

The following table summarizes all outstanding warrants to purchase shares of the Company's common stock:

Type	Grant Date	Warrants Outstanding June 30, 2021	Warrants Outstanding December 31, 2020	Exercise Price per Share	Expiration Date
Common Warrants	12/19/2019	61,173	61,173	$ 1.10	12/19/2024
Common Warrants	3/27/2020	65,000	65,000	$ 1.5313	3/27/2025
		126,173	**126,173**		

Stock Options

The Company's Board of Directors (the "Board") has approved five stock option plans: (i) the 2006 Stock Option Plan, (ii) the 2012 Restated Equity Incentive Plan (which superseded the 2006 Stock Option Plan) (the "2012 Plan"), (iii) the 2012 Non-Employee Director Stock Option Plan (the "2012 Non-Employee Director Plan"), (iv) the 2020 Equity Incentive Plan (the "2020 Plan"), and (v) the 2021 Equity Incentive Plan (the "2021 Plan").

At the time the merger between Capricor and Nile became effective,414,971 shares of common stock were reserved under the 2012 Plan for the issuance of stock options, stock appreciation rights, restricted stock awards and performance unit/share awards to employees, consultants and other service providers. Included in the 2012 Plan are the shares of common stock that were originally reserved under the 2006 Stock Option Plan. Under the 2012 Plan, each stock option granted will be designated in the award agreement as either an incentive stock option or a nonstatutory stock option. Notwithstanding such designation, however, to the extent that the aggregate fair market value of the shares with respect to which incentive stock options are exercisable for the first time by the participant during any calendar year (under all plans of the Company and any parent or subsidiary) exceeds $100,000, such options will be treated as nonstatutory stock options.

On June 2, 2016, at the Company's annual stockholder meeting, the stockholders approved a proposal to amend the 2012 Plan, to, among other things, increase the number of shares of common stock of the Company that may be issued under the 2012 Plan to equal the sum of 414,971 plus 2% of the outstanding shares of common stock as of December 31,

2015, with the number of shares that may be issued under the 2012 Plan automatically increasing thereafter on January 1 of each year, commencing with January 1, 2017, by 2% of the outstanding shares of common stock as of the last day of the immediately preceding fiscal year (rounded down to the nearest whole share). For the fiscal years beginning on January 1, 2020 and 2019, the number of shares added was equal to 104,547 and 62,775 shares, respectively.

At the time the merger between Capricor and Nile became effective,269,731 shares of common stock were reserved under the 2012 Non-Employee Director Plan for the issuance of stock options to members of the Board who are not employees of the Company.

On June 5, 2020, at the Company's annual stockholder meeting, the stockholders approved the 2020 Plan with2,500,000 shares of common stock reserved under the 2020 Plan for the issuance of stock awards. The number of shares available for issuance under the 2020 Plan shall be automatically increased on January 1 of each year, commencing with January 1, 2021, by an amount equal to the lesser of (i) 4% of the outstanding shares of Common Stock as of the last day of the immediately preceding fiscal year or (ii) such number of shares of Common Stock determined by the Compensation Committee in its sole discretion. For the fiscal year beginning on January 1, 2021, the number of shares added was equal to 823,084 shares. Upon approval of the 2021 Plan on June 11, 2021, no new shares will be added to the share reserve under the 2020 Plan pursuant to its "evergreen" provisions.

On June 11, 2021, at the Company's annual stockholder meeting, the stockholders approved the 2021 Plan with3,500,000 shares of common stock reserved under the 2021 Plan for the issuance of stock awards. The number of shares available for issuance under the 2021 Plan shall be automatically increased on January 1 of each year, commencing with January 1, 2022, by an amount equal to 5% of the outstanding shares of Common Stock as of the last day of the immediately preceding fiscal year.

As of June 30, 2021, 4,059,922 options remain available for issuance under the respective stock option plans.

Each of the Company's stock option plans are administered by the Board, or the compensation committee of the Board, which determines the recipients and types of awards to be granted, as well as the number of shares subject to the awards, the exercise price and the vesting schedule. Stock options are granted with an exercise price equal to the closing price of the Company's common stock on the date of grant, and generally vest over a period of one to four years. The term of stock options granted under each of the plans cannot exceedten years.

The estimated weighted average fair value of the options granted during the three months ended June 30, 2021 and 2020 were approximately $3.82 and $3.92 per share, respectively. The estimated weighted average fair value of the options granted during the six months ended June 30, 2021 and 2020 were approximately $3.27 and $3.75 per share, respectively.

The Company estimates the fair value of each option award using the Black-Scholes option-pricing model. The Company used the following assumptions to estimate the fair value of stock options issued in the six months ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Expected volatility	123% - 124 %	104% - 123 %
Expected term	6 years	5 - 6 years
Dividend yield	0 %	0 %
Risk-free interest rates	0.5 - 1.1 %	0.4 - 1.5 %

Employee and non-employee stock-based compensation expense was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
General and administrative	$ 625,141	$ 621,830	$ 1,258,261	$ 869,327
Research and development	87,158	82,520	207,000	122,830
Total	$ 712,299	$ 704,350	$ 1,465,261	$ 992,157

The Company does not recognize an income tax benefit as the Company believes that an actual income tax benefit may not be realized. For non-qualified stock options, the loss creates a timing difference, resulting in a deferred tax asset, which is fully reserved by a valuation allowance.

Common stock, stock options or other equity instruments issued to non-employees (including consultants) as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. The fair value of stock options is determined using the Black-Scholes option-pricing model. The Company calculates the fair value for non-qualified options as of the date of grant and expenses over the applicable vesting periods. We account for forfeitures upon occurrence.

As of June 30, 2021, the total unrecognized fair value compensation cost related to non-vested stock options was approximately $8.4 million, which is expected to be recognized over a weighted average period of approximately1.6 years.

The following is a schedule summarizing employee and non-employee stock option activity for the six months ended June 30, 2021:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2020	2,361,873	$ 1.89	$ 4,236,737
Granted	1,359,324	3.75	
Exercised	(2,133)	1.39	$ 10,928
Expired/Cancelled	(96,275)	3.42	
Outstanding at June 30, 2021	3,622,789	$ 2.55	$ 9,512,802
Exercisable at June 30, 2021	1,264,894	$ 1.80	$ 4,257,120

The aggregate intrinsic value represents the difference between the exercise price of the options and the estimated fair value of the Company's common stock for each of the respective periods.

5. CONCENTRATIONS

Cash Concentration

The Company has historically maintained checking accounts attwo financial institutions. These accounts are each insured by the Federal Deposit Insurance Corporation for up to $250,000. Historically, the Company has not experienced any significant losses in such accounts and believes it is not exposed to any significant credit risk on cash, cash equivalents and marketable securities. As of June 30, 2021, the Company maintained approximately $37.6 million of uninsured deposits.

6. GOVERNMENT GRANT AWARDS

CIRM Grant Award (HOPE)

On June 16, 2016, Capricor entered into the CIRM Award with CIRM in the amount of approximately $3.4 million to fund, in part, Capricor's Phase I/II HOPE-Duchenne clinical trial investigating CAP-1002 for the treatment of

Duchenne muscular dystrophy-associated cardiomyopathy. Pursuant to terms of the CIRM Award, the disbursements were tied to the achievement of specified operational milestones. In addition, the terms of the CIRM Award included a co-funding requirement pursuant to which Capricor was required to spend approximately $2.3 million of its own capital to fund the CIRM funded research project. The CIRM Award is further subject to the conditions and requirements set forth in the CIRM Grants Administration Policy for Clinical Stage Projects. Such requirements include, without limitation, the filing of quarterly and annual reports with CIRM, the sharing of intellectual property pursuant to Title 17, California Code of Regulations (CCR) Sections 100600-100612, and the sharing with the State of California of a fraction of licensing revenue received from a CIRM funded research project and net commercial revenue from a commercialized product which resulted from the CIRM funded research as set forth in Title 17, CCR Section 100608. The maximum royalty on net commercial revenue that Capricor may be required to pay to CIRM is equal to nine times the total amount awarded and paid to Capricor.

After completing the CIRM funded research project and at any time after the award period end date (but no later than the ten-year anniversary of the date of the award), Capricor has the right to convert the CIRM Award into a loan, the terms of which will be determined based on various factors, including the stage of the research and development of the program at the time the election is made. On June 20, 2016, Capricor entered into a Loan Election Agreement with CIRM whereby, among other things, CIRM and Capricor agreed that if Capricor elects to convert the grant into a loan, the term of the loan could be up to five years from the date of execution of the applicable loan agreement; provided that the maturity date of the loan will not surpass the ten-year anniversary of the grant date of the CIRM Award. Beginning on the date of the loan, the loan shall bear interest on the unpaid principal balance, plus the interest that has accrued prior to the election point according to the terms set forth in CIRM's Loan Policy (the "New Loan Balance"), at a per annum rate equal to the LIBOR rate for a three-month deposit in U.S. dollars, as published by the Wall Street Journal on the loan date, plus one percent. Interest shall be compounded annually on the outstanding New Loan Balance commencing with the loan date and the interest shall be payable, together with the New Loan Balance, upon the due date of the loan. If Capricor elects to convert the CIRM Award into a loan, certain requirements of the CIRM Award will no longer be applicable, including the revenue sharing requirements. Capricor has not yet made its decision as to whether it will elect to convert the CIRM Award into a loan. If we elect to do so, Capricor would be required to repay some or all of the amounts awarded by CIRM; therefore, the Company accounts for this award as a liability rather than income.

In June 2019, Capricor completed all milestones associated with the CIRM Award and expended all funds received. In the third quarter of 2019, Capricor completed all final close-out documentation associated with this award. As of June 30, 2021, Capricor's liability balance for the CIRM Award was approximately $3.4 million.

U.S. Department of Defense Grant Award

In September 2016, Capricor was approved for a grant award from the Department of Defense in the amount of approximately $2.4 million to be used toward developing a scalable, commercial-ready process to manufacture CAP-2003. Under the terms of the award, disbursements were made to Capricor over a period of approximately four years, subject to annual and quarterly reporting requirements. The Company was granted a no-cost extension until September 29, 2020 to be able to utilize these funds. The Company utilized approximately $2.3 million under the terms of the award. We are currently completing all close-out documentation associated with this award.

7. COMMITMENTS AND CONTINGENCIES

Leases

Capricor leases space for its corporate offices from The Bubble Real Estate Company, LLC ("Bubble Real Estate") pursuant to a lease that was originally effective for a two-year period beginning July 1, 2013 with an option to extend the lease for an additional twelve months. Capricor subsequently entered into several amendments extending the term of the lease and modifying its terms. Effective January 1, 2021, we entered into a month-to-month lease amendment with the Bubble Real Estate. The lease is terminable by either party upon 90 days' written notice to the other party. The monthly rental payment is $13,073.

Capricor leases facilities from CSMC, a related party (see Note 9 – "Related Party Transactions"), pursuant to a lease (the "Facilities Lease") that was originally effective for a three-year period beginning June 1, 2014. Capricor has subsequently entered into several amendments extending the term of the lease and modifying its terms. In July 2020, Capricor exercised its option to extend the term of the Facilities Lease for an additional 12-month period through July 31, 2021 with a monthly lease payment of $15,805. The Company has a further option to extend the Facilities Lease with respect to a portion of the leased premises through July 31, 2022 with a monthly lease payment of $10,707. In July 2021, the Company notified CSMC that it was exercising this option.

On July 16, 2021, the Company entered into a lease agreement for office and laboratory space located at 10865 Road to the Cure in San Diego, California (see Note 10 – "Subsequent Events").

Included within the table below, future minimum rental payments to related parties totaled $15,805. A summary of future minimum rental payments required under operating leases as of June 30, 2021 is as follows:

Years ended	Operating Leases
2021 (1 month)	$ 15,805

Expenses incurred under operating leases to unrelated parties for the three months ended June 30, 2021 and 2020 were $39,219 and $48,687, respectively. Expenses incurred under operating leases to unrelated parties for the six months ended June 30, 2021 and 2020 were $78,438 and $97,374, respectively. Expenses incurred under operating leases to related parties for each of the three months ended June 30, 2021 and 2020 were $47,415. Expenses incurred under operating leases to related parties for each of the six months ended June 30, 2021 and 2020 were $94,830.

Legal Contingencies

The Company is not a party to any material legal proceedings at this time. From time to time, the Company may become involved in various legal proceedings that arise in the ordinary course of its business or otherwise.

Accounts Payable

During the normal course of business, disputes with vendors may arise. If a vendor dispute payment is probable and able to be estimated, we will record an estimated liability.

Other Funding Commitments

The Company is a party to various agreements, principally relating to licensed technology, that require future payments relating to milestones that may be met in subsequent periods or royalties on future sales of specific products (see Note 8 – "License Agreements").

Additionally, the Company is a party to various agreements with contract research organizations and contract manufacturers that generally provide for termination upon notice, with the exact amounts owed in the event of termination to be based on the timing of termination and the terms of the agreement.

Employee Severances

The Board of Directors approved severance packages for specific full-time employees based on their length of service and position ranging up to six months of their base salaries, in the event of termination of their employment, subject to certain conditions.No liability has been recorded as of June 30, 2021.

8. LICENSE AGREEMENTS

Capricor's Technology - CAP-1002 and Exosomes

Capricor has entered into exclusive license agreements for intellectual property rights related to certain cardiac-derived cells with Università Degli Studi Di Roma La Sapienza (the "University of Rome"), Johns Hopkins University ("JHU") and CSMC. Capricor has also entered into an exclusive license agreement for intellectual property rights related to exosomes with CSMC and JHU as well as a non-exclusive license agreement with JHU related to the imaging-based serology technology for COVID-19. In addition, Capricor has filed patent applications related to the technology developed by its own scientists.

University of Rome License Agreement

Capricor and the University of Rome entered into a License Agreement, dated June 21, 2006 (the "Rome License Agreement"), which provides for the grant of an exclusive, world-wide, royalty-bearing license by the University of Rome to Capricor (with the right to sublicense) to develop and commercialize licensed products under the licensed patent rights in all fields. Capricor has a right of first negotiation, for a certain period of time, to obtain a license to any new and separate patent applications owned by the University of Rome utilizing cardiac stem cells in cardiac care.

Pursuant to the Rome License Agreement, Capricor paid the University of Rome a license issue fee, is currently paying minimum annual royalties in the amount of 20,000 Euros per year, and is obligated to pay a lower-end of a mid-range double-digit percentage on all royalties received as a result of sublicenses granted, which are net of any royalties paid to third parties under a license agreement from such third party to Capricor. The minimum annual royalties are creditable against future royalty payments.

The Rome License Agreement will, unless extended or sooner terminated, remain in effect until the later of the last claim of any patent or until any patent application comprising licensed patent rights has expired or been abandoned. Under the terms of the Rome License Agreement, either party may terminate the agreement should the other party become insolvent or file a petition in bankruptcy. Either party may terminate the agreement upon the other party's material breach, provided that the breaching party will have up to 90 days to cure its material breach. Capricor may also terminate for any reason upon 90 days' written notice to the University of Rome.

The Johns Hopkins University License Agreements

License Agreement for CDCs

Capricor and JHU entered into an Exclusive License Agreement, effective June 22, 2006 (the "JHU License Agreement"), which provides for the grant of an exclusive, world-wide, royalty-bearing license by JHU to Capricor (with the right to sublicense) to develop and commercialize licensed products and licensed services under the licensed patent rights in all fields and a nonexclusive right to the know-how. In May 2009, the JHU License Agreement was amended to add additional patent rights to the JHU License Agreement in consideration of a payment to JHU and reimbursement of patent costs. Capricor and JHU executed a Second Amendment to the JHU License Agreement, effective as of December 20, 2013, pursuant to which, among other things, certain definitions were added or amended, the timing of certain obligations was revised and other obligations of the parties were clarified. Under the JHU License Agreement, Capricor is required to exercise commercially reasonable and diligent efforts to develop and commercialize licensed products covered by the licenses from JHU.

Pursuant to the JHU License Agreement, JHU was paid an initial license fee and, thereafter, Capricor is required to pay minimum annual royalties on the anniversary dates of the JHU License Agreement. The minimum annual royalties are creditable against a low single-digit running royalty on net sales of products and net service revenues, which Capricor is also required to pay under the JHU License Agreement, which running royalty may be subject to further reduction in the event that Capricor is required to pay royalties on any patent rights to third parties in order to make or sell a licensed product. In addition, Capricor is required to pay a low double-digit percentage of the consideration received by it from sublicenses granted, and is required to pay JHU certain defined development milestone payments upon the successful

completion of certain phases of its clinical studies and upon receiving approval from the U.S. Food and Drug Administration (the "FDA"). The development milestones range from $100,000 upon successful completion of a full Phase I clinical study to $1,000,000 upon full FDA market approval and are fully creditable against payments owed by Capricor to JHU on account of sublicense consideration attributable to milestone payments received from a sublicensee. The maximum aggregate amount of milestone payments payable under the JHU License Agreement, as amended, is $1,850,000. In May 2015, Capricor paid the development milestone related to the Phase I study that was owed to JHU pursuant to the terms of the JHU License Agreement. The next milestone is triggered upon successful completion of a full Phase II study for which a payment of $250,000 will be due. At this time, it is anticipated the $250,000 milestone payment will become due.

The JHU License Agreement will, unless sooner terminated, continue in effect in each applicable country until the date of expiration of the last to expire patent within the patent rights, or, if no patents are issued, then for twenty years from the effective date. Under the terms of the JHU License Agreement, either party may terminate the agreement should the other party become insolvent or file a petition in bankruptcy, or fail to cure a material breach within 30 days after notice. In addition, Capricor may terminate for any reason upon 60 days' written notice.

License Agreement for Serology Diagnostic

Capricor and JHU entered into a Nonexclusive License Agreement (the "JHU Serology License Agreement"), effective January 6, 2021, which provides for the grant of a non-exclusive, world-wide, non-royalty-bearing license by JHU to Capricor to develop and commercialize licensed products under the licensed patent rights for COVID-19.

License Agreement for Exosome-based Vaccines and Therapeutics

Capricor and JHU entered into an Exclusive License Agreement (the "JHU Exosome License Agreement") effective April 28, 2021 for its co-owned interest in certain intellectual property rights related to exosome-mRNA vaccines and therapeutics. The JHU Exosome License Agreement provides for the grant of an exclusive, world-wide, royalty-bearing license of JHU's co-owned rights by JHU to Capricor, with the right to sublicense, in order to conduct research using the patent rights and know-how and to develop and commercialize products in the field using the patent rights and know-how.

Pursuant to the JHU Exosome License Agreement, JHU was paid an upfront license fee of $10,000 and Capricor has agreed to reimburse JHU for certain fees and costs incurred in connection with the prosecution of certain patent rights. Additionally, Capricor is required to meet certain development milestones for which a milestone payment fee shall be due and is obligated to pay low single-digit royalties on sales of royalty-bearing products as well as a double-digit percentage of any non-royalty consideration received from any sublicenses, subject to certain exclusions. The above-mentioned royalties are subject to reduction in the event Capricor becomes obligated to pay royalties on one or more third party patents as a requirement to make or sell a licensed product. In addition, Capricor will, beginning with the third year of the JHU Exosome License Agreement, be obligated to pay JHU a minimum annual royalty which is non-refundable but will be credited against royalties incurred by Capricor for the year in which the minimum annual royalty becomes due.

The JHU Exosome License Agreement will, unless sooner terminated, continue in each country until the date of expiration of the last to expire patent included within the patent rights in that country, or if no patents issue, then for 20 years. The JHU Exosome License Agreement may be terminated by Capricor upon 90 days' written notice in its discretion and with 60 days' notice with respect to any particular patent or application or as to any particular licensed product. The JHU Exosome License Agreement may also be terminated by either party if it fails to perform or otherwise breaches any of its obligations and fails to cure such breach within a 60-day cure period commencing upon notice. A material breach by Capricor may include (a) a delinquency with respect to payment or reporting; (b) the failure by Capricor to timely achieve a specified milestone or otherwise failing to diligently develop, commercialize, and sell licensed products throughout the term of the JHU Exosome License Agreement; (c) non-compliance with record keeping or audit obligations; (d) voluntary bankruptcy or insolvency of Capricor; and (e) non-compliance with Capricor's insurance obligations.

Cedars-Sinai Medical Center License Agreements

License Agreement for CDCs

On January 4, 2010, Capricor entered into an Exclusive License Agreement with CSMC (the "Original CSMC License Agreement"), for certain intellectual property related to its CDC technology. In 2013, the Original CSMC License Agreement was amended twice resulting in, among other things, a reduction in the percentage of sublicense fees which would have been payable to CSMC. Effective December 30, 2013, Capricor entered into an Amended and Restated Exclusive License Agreement with CSMC (the "Amended CSMC License Agreement"), which amended, restated, and superseded the Original CSMC License Agreement, pursuant to which, among other things, certain definitions were added or amended, the timing of certain obligations was revised and other obligations of the parties were clarified.

The Amended CSMC License Agreement provides for the grant of an exclusive, world-wide, royalty-bearing license by CSMC to Capricor (with the right to sublicense) to conduct research using the patent rights and know-how and develop and commercialize products in the field using the patent rights and know-how. In addition, Capricor has the exclusive right to negotiate for an exclusive license to any future rights arising from related work conducted by or under the direction of Dr. Eduardo Marbán on behalf of CSMC. In the event the parties fail to agree upon the terms of an exclusive license for any future rights, Capricor will have a non-exclusive license to such future rights, subject to royalty obligations.

Pursuant to the Original CSMC License Agreement, CSMC was paid a license fee and Capricor was obligated to reimburse CSMC for certain fees and costs incurred in connection with the prosecution of certain patent rights. Additionally, Capricor is required to meet certain spending and development milestones.

Pursuant to the Amended CSMC License Agreement, Capricor remains obligated to pay low single-digit royalties on sales of royalty-bearing products as well as a low double-digit percentage of the consideration received from any sublicenses or other grant of rights. The above-mentioned royalties are subject to reduction in the event Capricor becomes obligated to obtain a license from a third party for patent rights in connection with the royalty-bearing product. In 2010, Capricor discontinued its research under some of the patents.

The Amended CSMC License Agreement will, unless sooner terminated, continue in effect on a country by country basis until the last to expire of the patents covering the patent rights or future patent rights. Under the terms of the Amended CSMC License Agreement, unless waived by CSMC, the agreement shall automatically terminate: (i) if Capricor ceases, dissolves or winds up its business operations; (ii) in the event of the insolvency or bankruptcy of Capricor or if Capricor makes an assignment for the benefit of its creditors; (iii) if performance by either party jeopardizes the licensure, accreditation or tax exempt status of CSMC or the agreement is deemed illegal by a governmental body; (iv) within 30 days for non-payment of royalties; (v) after 90 days' notice from CSMC if Capricor fails to undertake commercially reasonable efforts to exploit the patent rights or future patent rights; (vi) if a material breach has not been cured within 90 days; or (vii) if Capricor challenges any of the CSMC patent rights. If Capricor fails to undertake commercially reasonable efforts to exploit the patent rights or future patent rights, and fails to cure that breach after 90 days' notice from CSMC, instead of terminating the license, CSMC has the option to convert any exclusive license to Capricor to a non-exclusive or co-exclusive license. Capricor may terminate the agreement if CSMC fails to cure any material breach within 90 days after notice.

On March 20, 2015, August 5, 2016, December 26, 2017, June 20, 2018, and July 27, 2021, Capricor and CSMC entered into a number of amendments to the Amended CSMC License Agreement, pursuant to which the parties agreed to add and delete certain patent applications from the list of scheduled patents, among other things. Capricor reimbursed CSMC for certain attorneys' fees and filing fees incurred in connection with the additional patent applications.

License Agreement for Exosomes

On May 5, 2014, Capricor entered into an Exclusive License Agreement with CSMC (the "Exosomes License Agreement"), for certain intellectual property rights related to exosomes technology. The Exosomes License Agreement provides for the grant of an exclusive, world-wide, royalty-bearing license by CSMC to Capricor (with the right to sublicense) in order to conduct research using the patent rights and know-how and to develop and commercialize products

in the field using the patent rights and know-how. In addition, Capricor has the exclusive right to negotiate for an exclusive license to any future rights arising from related work conducted by or under the direction of Dr. Eduardo Marbán on behalf of CSMC. In the event the parties fail to agree upon the terms of an exclusive license, Capricor shall have a non-exclusive license to such future rights, subject to royalty obligations.

Pursuant to the Exosomes License Agreement, CSMC was paid a license fee and Capricor reimbursed CSMC for certain fees and costs incurred in connection with the preparation and prosecution of certain patent applications. Additionally, Capricor is required to meet certain non-monetary development milestones and is obligated to pay low single-digit royalties on sales of royalty-bearing products as well as a single-digit percentage of the consideration received from any sublicenses or other grant of rights. The above-mentioned royalties are subject to reduction in the event Capricor becomes obligated to obtain a license from a third party for patent rights in connection with the royalty bearing product.

The Exosomes License Agreement will, unless sooner terminated, continue in effect on a country by country basis until the last to expire of the patents covering the patent rights or future patent rights. Under the terms of the Exosomes License Agreement, unless waived by CSMC, the agreement shall automatically terminate: (i) if Capricor ceases, dissolves or winds up its business operations; (ii) in the event of the insolvency or bankruptcy of Capricor or if Capricor makes an assignment for the benefit of its creditors; (iii) if performance by either party jeopardizes the licensure, accreditation or tax exempt status of CSMC or the agreement is deemed illegal by a governmental body; (iv) within 30 days for non-payment of royalties; (v) after 90 days if Capricor fails to undertake commercially reasonable efforts to exploit the patent rights or future patent rights; (vi) if a material breach has not been cured within 90 days; or (vii) if Capricor challenges any of the CSMC patent rights. If Capricor fails to undertake commercially reasonable efforts to exploit the patent rights or future patent rights, and fails to cure that breach after 90 days' notice from CSMC, instead of terminating the license, CSMC has the option to convert any exclusive license to Capricor to a non-exclusive or co-exclusive license. Capricor may terminate the agreement if CSMC fails to cure any material breach within 90 days after notice.

On February 27, 2015, June 10, 2015, August 5, 2016, December 26, 2017, June 20, 2018, September 25, 2018, August 19, 2020, August 28, 2020, and March 19, 2021, Capricor and CSMC entered into a number of amendments to the Exosomes License Agreement. Collectively, these amendments added additional patent applications and patent families to the Exosomes License Agreement, added certain defined product development milestone payments, modified certain milestone deadlines, and added certain performance milestones with respect to product candidates covered by certain future patent rights in order to maintain an exclusive license to those future patent rights; failure to meet those milestones would cause CSMC to have the right to convert the license from exclusive to non-exclusive or co-exclusive, or to terminate the license, subject to Capricor's right to license such patent rights for internal research purposes on a non-exclusive basis. These amendments also obligated Capricor to reimburse CSMC for certain attorneys' fees and filing fees in connection with the additional patent applications and patent families.

Sponsored Research Agreement with Johns Hopkins University

On April 1, 2020 we entered into a Sponsored Research Agreement (the "SRA"), with JHU pursuant to which researchers in the lab of Dr. Stephen Gould are performing certain research activities in connection with our exosomes program. Pursuant to the SRA, we are funding certain research activities and have the right to negotiate for exclusive or non-exclusive rights to intellectual property that may result from such research activities.

9. RELATED PARTY TRANSACTIONS

Lease and Sub-Lease Agreement

As noted above, Capricor is a party to lease agreements with CSMC (see Note 7 – "Commitments and Contingencies"), and CSMC has served as an investigative site in Capricor's clinical trials. Additionally, Dr. Eduardo Marbán, who is a stockholder of Capricor Therapeutics and has participated from time to time as an observer at the Company's meetings of the Board of Directors, is the Director of the Cedars-Sinai Smidt Heart Institute, and co-founder of Capricor.

On April 1, 2013, Capricor entered into a sublease with Reprise Technologies, LLC, a limited liability company which is wholly owned by Dr. Frank Litvack, the Company's Executive Chairman and member of its Board of Directors, for $2,500 per month. The sublease was on a month-to-month basis and was terminated effective September 1, 2020. For the six months ended June 30, 2021 and 2020, Capricor recognized zero and $15,000, respectively, in sublease income from the related party. Sublease income is recorded as a reduction to general and administrative expenses.

Consulting Agreements

In 2013, Capricor entered into a Consulting Agreement with Dr. Frank Litvack, the Company's Executive Chairman and a member of its Board of Directors, whereby Capricor agreed to pay Dr. Litvack $10,000 per month for consulting services. The agreement is terminable upon 30 days' notice.

In July 2020, Capricor entered into an Advisory Services Agreement with Dr. Eduardo Marbán, co-founder and shareholder, whereby he was granted an option to purchase 50,000 shares of the Company's common stock.

Payables to Related Party

As of June 30, 2021 and December 31, 2020, the Company had accounts payable and accrued expenses to related parties totaling $375,651 and $8,972, respectively. CSMC accounts for $365,651 and $8,972 of the total accounts payable and accrued expenses to related parties as of each of June 30, 2021 and December 31, 2020, respectively. CSMC expenses relate to research and development costs, clinical trial costs, license and patent fees, and facilities rent. During the six months ended June 30, 2021 and 2020, the Company paid CSMC approximately $239,000 and $181,000, respectively, for such costs.

Related Party Clinical Trials

Capricor provided CAP-1002 for investigational purposes in two clinical trials sponsored by CSMC. This product was developed as part of the Company's past research and development efforts. The first trial is known as "Regression of Fibrosis and Reversal of Diastolic Dysfunction in HFpEF Patients Treated with Allogeneic CDCs", or REGRESS. Dr. Eduardo Marbán is the named principal investigator under the study. The second trial is known as "Pulmonary Arterial Hypertension treated with Cardiosphere-derived Allogeneic Stem Cells" or ALPHA. In both studies, Capricor provided the necessary number of doses of cells and will receive a total of approximately $1.8 million of monetary compensation. For the six months ended June 30, 2021 and 2020, the Company recognized approximately $245,000 and $67,000, respectively, as revenue. As of June 30, 2021, and December 31, 2020, $206,000 and approximately $56,000, respectively, is outstanding and recorded in prepaid expenses and other current assets. CSMC informed us that the REGRESS and ALPHA studies have been completed and as a result, we do not expect to receive any further material revenues from these trials.

10. SUBSEQUENT EVENTS

Additional Sales Under June 2021 ATM Program

Subsequent to June 30, 2021 and through August 12, 2021, the Company sold an aggregate of 21,971 common shares under the June 2021 ATM Program at an average price of approximately $5.68 per common share for gross proceeds of approximately $125,000. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to the placement agent, as well as legal and accounting fees in the aggregate amount of approximately $4,000.

San Diego Research Lease Agreement

On July 16, 2021, the Company entered into a lease agreement with Altman Investment Co, LLC for 9,396 square feet of office and laboratory space located at 10865 Road to the Cure in San Diego, California. Under the terms of the lease, the base rent will be $0.6 million per year, which rent is subject to a 3.0% annual rent increase during the initial lease term, plus certain operating expenses and taxes. This lease term commences on October 1, 2021 and will expire on September 30, 2026. The lease contains an option to renew for an additional term of five years.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the condensed consolidated notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements.

As used in this Quarterly Report on Form 10-Q, references to "Capricor Therapeutics," the "Company," "we," "us," "our" or similar terms include Capricor Therapeutics, Inc. and its wholly-owned subsidiary. References to "Capricor" are with respect to Capricor, Inc., our wholly-owned subsidiary.

Overview

Capricor Therapeutics, Inc. is a clinical-stage biotechnology company focused on the development of transformative cell and exosome-based therapeutics for the treatment and prevention of a broad spectrum of diseases.

Cell Therapy (CAP-1002) Program

CAP-1002 - Duchenne Muscular Dystrophy Program

We have completed HOPE-2, a Phase II clinical trial in the United States with our product candidate, CAP-1002, a cardiac cell derived therapy which was used to treat patients with late-stage Duchenne muscular dystrophy ("DMD"). The 12-month top-line data showed improvements in multiple measures of upper limb, cardiac and respiratory functions. In the final statistical analysis for our HOPE-2 trial, we met our primary efficacy endpoint of Mid-level PUL (version 1.2), our secondary endpoint of Full PUL (version 2.0) and secondary cardiac endpoints of LV Ejection Fraction and LV End-Systolic Volume, indexed. The full dataset has been submitted for publication. We have had multiple discussions with the U.S. Food and Drug Administration (the "FDA") focusing on the data, next steps and a pathway to approval of a Biologics License Application ("BLA"), for CAP-1002 in DMD. The FDA has continued to encourage us to conduct a Phase III study.

At this time, we have decided to commence start-up activities for the Phase III study. Additionally, we are actively seeking a partner for this program.

CAP-1002 - COVID-19 Program

In 2020, under an Expanded Access (or Compassionate Use) program, seven patients hospitalized with severe COVID-19 (also referred to sometimes as SARS-CoV-2) symptoms, six of whom were ventilated, were treated with CAP-1002. Four of the seven patients were fully discharged and three died between one- and two-months post-treatment. Previously published data has shown that COVID-19 patients on ventilators experience higher mortality rates. While we are unable to definitively ascertain whether CAP-1002 improved patient outcomes, by analyzing blood samples and other tests, it was determined that CAP-1002 was associated with identifiable improvements in certain patients such as a decrease in white blood cell count, a decrease in IL-6, a decrease in C-reactive protein, and/or reduced reliance on supplemental oxygen. However, the efficacy of CAP-1002 in treating COVID-19 was not demonstrated due to the small sample size, the fact that seven patients were contemporaneously on other experimental medications, and the lack of an established control group, among other factors.

In August 2020, we received FDA acceptance of our Investigational New Drug ("IND") application for a clinical study of CAP-1002 in patients with severe or critical COVID-19. The INSPIRE trial is a Phase II, randomized, double-blind, placebo-controlled study that is enrolling up to 60 patients from several trial sites in the United States. The study is enrolling patients who have a diagnosis of SARS-CoV-2 and require supplemental oxygen. Various outcome measures will be analyzed including, but not limited to, safety, cytokine biomarkers, all-cause mortality, cardiac biomarkers and hospitalization length. We plan to have top-line data available in the near future. Following receipt of this data, we will discuss next steps for the program with FDA. Additionally, we are actively seeking partners for this program.

Exosomes Program

Exosomes-Based Vaccine

We are currently engaged in the development of a vaccine candidate for the potential prevention of COVID-19. The vaccine candidate is a multivalent exosome-mRNA vaccine which is designed to elicit a protective, long-lasting immune response to SARS-CoV-2 by targeting multiple structural proteins of the virus. In December 2020, we announced positive preclinical data from a study using our exosome-mRNA vaccine approach. We met with the FDA in a pre-IND meeting and are planning on filing an IND in the fourth quarter of 2021, subject to regulatory approval, for this vaccine for SARS-CoV-2. We have also been investigating an exosomal antigen vaccine which is a vesicle-based, nucleic acid-free formulation carrying multiple structural proteins of SARS-CoV-2.

Exosome-Based Therapeutics

We are also developing our exosomes platform technology as a next-generation therapeutic platform. Our current focus is on the development of exosomes loaded with nucleic acids, including mRNA, to treat a variety of diseases. mRNA medicines are not small molecules, like traditional pharmaceutical drugs and they are not traditional biologics (such as recombinant proteins and monoclonal antibodies), which were the origins of the biotech industry. Instead, mRNA medicines are sets of instructions. And these instructions direct cells in the body to make all the proteins required for life as well as to prevent or fight disease.

Our platform builds on advances in fundamental RNA science, targeting technology and manufacturing, providing us the opportunity to build a broad pipeline of potential new therapeutic candidates. At this time, we are developing therapeutics and vaccines for infectious diseases, monogenic diseases and other indications. We recently entered into an Exclusive License Agreement (the "JHU Exosomes License Agreement") with Johns Hopkins University ("JHU") for its co-owned interest in certain intellectual property rights related to exosome-mRNA vaccines and therapeutics.

CDC-Derived Exosomes (CAP-2003)

In April 2020, we filed an IND with the FDA to investigate the use of CAP-2003 in patients with DMD. At this time, the FDA has requested more information related to manufacturing and we are evaluating the next steps for this program. We need to submit further information to FDA to support the potential acceptance of this IND.

Additionally, in July 2018, we entered into a Cooperative Research and Development Agreement with the U.S. Army Institute of Surgical Research ("USAISR"), pursuant to which we agreed to cooperate in research and development on the evaluation of our CAP-2003 for the treatment of trauma related injuries and conditions. We recently, in collaboration with the USAIRSR, published a manuscript demonstrating CAP-2003 as a potential antishock therapeutic, if delivered early.

Aspects of our exosomes pipeline have been supported through collaborations and alliances. We have entered into a Sponsored Research Agreement (the "SRA") with JHU, pursuant to which researchers in the lab of Dr. Stephen Gould are performing certain research activities in connection with our exosomes program and the further development of the platform. Additional collaborations include the Department of Defense ("DoD"), the National Institutes of Health ("NIH") and Cedars-Sinai Medical Center ("CSMC").

Our executive offices are located at 8840 Wilshire Blvd., 2nd Floor, Beverly Hills, California 90211. Our telephone number is (310) 358-3200 and our Internet address is *www.capricor.com*.

Our Technologies

Cardiosphere-Derived Cells (CAP-1002)

Our core cell therapy technology is based on cardiosphere-derived cells ("CDCs"), a cardiac-derived cell therapy that was first identified in the academic laboratory of Capricor's scientific founder, Dr. Eduardo Marbán. Since the initial publication in 2007, CDCs have been the subject of over 100 peer-reviewed scientific publications and have been administered to over 200 human subjects across several clinical trials. CDCs have been shown to exert potent immunomodulatory activity and to alter the immune system's activity to encourage cellular regeneration. We have been developing allogeneic CDCs (CAP-1002) as a product candidate for the treatment of Duchenne muscular dystrophy ("DMD"), and investigating their effects on skeletal and cardiac function. Preclinical and clinical data support the therapeutic concept of administering CDCs as a means to address conditions in which the heart or skeletal muscle has been damaged.

In a variety of preclinical experimental models of heart injury, CDCs have been shown to stimulate cell proliferation and blood vessel growth and to inhibit programmed cell death and scar formation. Published data by CSMC, which tested the effectiveness of CDCs in a mouse model of DMD, showed for the first time that the skeletal and cardiac improvements could be directly attributed to treatment with CDCs. The data also provide further evidence of the potential of CDCs to stimulate tissue repair and regeneration by first reducing inflammation, which then enables new healthy muscle to form, as was shown in the mouse model of DMD.

CDCs are derived from cardiospheres ("CSps"), which are self-adherent multicellular clusters derived from the heart. CDCs are sufficiently small that, within acceptable dose limits, they can be infused into a coronary artery or into the peripheral vasculature. Capricor has performed clinical studies to establish the range of CDC dose levels that appear to be safe via intracoronary administration and peripheral venous access.

While CDCs originate from either a deceased human donor (allogeneic source) or from heart tissue taken directly from recipient patients themselves (autologous source), the methods for manufacturing CDCs from either source are similar.

Capricor's proprietary manufacturing methods are focused on producing therapeutic doses of CDCs to boost the regenerative capacity of the heart and skeletal muscles, with the goal of improving cardiac and skeletal muscle function. Capricor has exclusively licensed intellectual property covering CDCs and CSps from three academic institutions and is also pursuing its own intellectual property rights relating to CDCs as a product candidate.

Exosomes

Extracellular vesicles, including exosomes and microvesicles, are nano-scale, membrane-enclosed vesicles which are secreted by most cells and contain characteristic lipids, proteins and nucleic acids such as mRNA and microRNAs. They can signal through the binding and activation of membrane receptors or through the delivery of their cargo into the cytosol of target cells. Our preclinical data has shown that CDCs mediate most of their therapeutic activities through the secretion of extracellular vesicles.

Exosomes act as messengers to regulate the functions of neighboring or distant cells and have been shown to regulate functions such as cell survival, proliferation, inflammation and tissue regeneration. Furthermore, preclinical research has shown that exogenously-administered exosomes can modify cellular activities, thereby supporting their therapeutic potential. Their size, low or null immunogenicity and ability to communicate in native cellular language potentially makes them an exciting new class of therapeutic agents with the potential to expand our ability to address complex biological responses. Because exosomes are a cell-free substance, they can be stored, handled, reconstituted and administered in similar fashion to common biopharmaceutical products such as antibodies.

Background on Duchenne Muscular Dystrophy

DMD is a rare form of muscular dystrophy which results in muscle degeneration and premature death. DMD affects approximately 1 in 3,600 male infants worldwide, and it is estimated that approximately 15,000 to 20,000 boys and young men are living with the disease in the United States. DMD results from the lack of functional dystrophin protein caused by a gene mutation. The lack of dystrophin, an important structural component of muscle cells, causes them to have increased susceptibility to damage and to progressively die. Additionally, the absence of dystrophin in muscle cells leads to significant cell damage and ultimately causes muscle cell death and fibrotic replacement. In DMD patients, heart muscle cells progressively die and are replaced with scar tissue. This cardiomyopathy eventually leads to heart failure, which is currently the leading cause of death among those with DMD.

Patients with DMD experience progressive muscle weakness and degeneration starting at an early age. Generally, a loss of ambulation occurs after the first decade of life and eventually the patients suffer respiratory and cardiac failure. Their lifespan is abbreviated and averages less than three decades. The annual cost of care for patients with DMD is very high and increases with disease progression. We therefore believe that DMD represents a significant market opportunity for our product candidate, CAP-1002.

CAP-1002 for the Treatment of Duchenne Muscular Dystrophy

Based on our understanding of the mechanism of action of CAP-1002, which has been seen in preclinical models of DMD, we believe that CAP-1002 has the potential to decrease inflammation and slow muscle degeneration while exerting positive effects on muscle regeneration, all of which may translate into patients retaining muscle function for a longer period of time. Data supporting peripheral intravenous route of administration of CAP-1002 in the DMD setting has been provided by preclinical mouse studies where CDCs, the active ingredient in CAP-1002, have been shown to increase exercise capacity and diaphragmatic function.

We are currently developing CAP-1002 for the treatment of DMD. We completed the HOPE-Duchenne Phase I/II trial in 2017 and then subsequently began the HOPE-2 Phase II trial in 2018. We reported positive interim 6-month results from HOPE-2 in 2019 and we reported top-line 12-month results in May 2020. We have recently decided to commence start-up activities for a Phase III pivotal trial to be called HOPE-3. We have submitted a protocol to the FDA for its review. The size of the proposed Phase III trial is estimated to be approximately 65-75 patients. Further, our plan is to secure a partner to take CAP-1002 through commercialization. We do not intend to commence patient enrollment until we have secured a partner or other source of additional non-dilutive capital.

Phase II HOPE-2 Clinical Trial

HOPE-2 was a randomized, double-blind, placebo-controlled clinical trial which was conducted at multiple sites located in the United States. We randomized 20 patients in our HOPE-2 clinical trial. Approximately 80% of the patients were non-ambulant and all patients were on a stable regimen of steroids. Demographic and baseline characteristics were similar between the two treatment groups. The clinical trial was designed to evaluate the safety and efficacy of repeat, intravenous, or IV, doses of CAP-1002, in boys and young men with evidence of skeletal muscle impairment regardless of ambulatory status and who are on a stable regimen of systemic glucocorticoids.

While there are many clinical initiatives in DMD, HOPE-2 was one of the very few to focus on non-ambulant patients. These boys and young men are looking to maintain what function they have in their arms and hands, and Capricor's previous study of a single intracoronary dose of CAP-1002 provided preliminary evidence of efficacy that CAP-1002 may be able to help DMD patients retain or slow the loss of upper limb function.

The primary efficacy endpoint of the HOPE-2 trial was the relative change in patients' abilities to perform manual tasks that relate to activities of daily living and are important to their quality of life. These abilities were measured through the Performance of the Upper Limb ("PUL"), test. In the HOPE-2 study, we have evaluated these through both the PUL 1.2 and 2.0 versions. Although the PUL 1.2 version for the mid-level was the primary endpoint established for the trial, we also conducted an analysis using the PUL 2.0 version as the FDA suggested the use of the updated PUL 2.0 version as the primary efficacy endpoint in support of a Biologics License Application ("BLA"). HOPE-2 assessed the mid-level dimension of the PUL which evaluates one's ability to use muscles extending from the elbow to the hand, which muscles

are essential for operating wheelchairs and performing other daily functions. In HOPE-2, additional secondary and exploratory endpoints such as cardiac function, pulmonary function, quality of life and additional measures were included.

In July 2019, we reported interim top-line results from a pre-specified interim analysis of 6-month data from the HOPE-2 trial, which showed meaningful results across several independent clinical measures.

In May 2020, we reported top-line 12-month results. The top-line data showed improvements in upper limb, cardiac and respiratory functions with p-values of less than p=0.05 in multiple measures. With the exception of steroids, preservation of function in DMD is uncommon. The placebo patients declined consistent with natural history, but in the treated group, most patients were stable or improved throughout the one-year treatment period.

The top-line data also showed global improvements in cardiac function as measured by ejection fraction and indexed volumes (LVESV, LVEDV). These are surrogate measures of cardiac function and are considered significant in terms of relevance to long term outcomes. Additionally, there was also a reduction in the biomarker CK-MB, an enzyme that is only released when there is cardiac muscle cell damage. In normal human subjects, there is typically no CK-MB measurable in the blood. It is well accepted that continuous muscle cell damage in DMD leads to pathologically high enzyme levels associated with cardiac muscle cell loss. In HOPE-2 treatment with CAP-1002 was associated with a reduction in CK-MB levels as compared to placebo (p=0.006). This is the first ever study in DMD that correlates cardiac functional stabilization with reduction of a biomarker of cell damage.

Study Results

12-Month Top-Line Efficacy Data*:

	12-Month Time-Point		
	CAP-1002 n=8	**Placebo n=12**	**p-value**
Upper Limb Function			
Mid-level PUL (version 1.2)	-2.1 (3.63)	-4.9 (2.57)	p=0.08
Shoulder + Mid + Distal PUL (version 1.2)	-2.3 -3.86	-6.4 -3.84	p=0.03
Shoulder + Mid + Distal PUL (version 2.0)	-1.3 -2.14	-3.7 -1.50	p=0.05
Cardiac			
LV Ejection Fraction %	-0.33 -2.01	-1.89 -2.23	p=0.004
LV End-Diastolic Volume, Indexed mL/m^2	-7.35 -6.10	0.00 -7.34	p=0.07
LV End-Systolic Volume, Indexed mL/m^2	-3.10 -1.68	1.70 -5.02	p=0.01
Creatine Kinase-MB (% of total CK)	-0.50 -0.55	2.00 -1.00	p=0.006

Mean Change from baseline to 12 months (standard deviation) shown.
ITT (intent to treat) population shown
P-values are nominal values unadjusted for multiple testing
Mixed model repeated measures analysis

*The final 12-month data from the HOPE-2 study has been submitted for publication

Safety

CAP-1002 was generally safe and well tolerated throughout the study. With the exception of hypersensitivity reactions which were mitigated with a common pre-medication regimen, no safety signals were identified in the HOPE-2 trial.

Phase I/II HOPE-Duchenne Clinical Trial

We have completed the randomized, controlled, multi-center Phase I/II HOPE-Duchenne clinical trial which was designed to evaluate the safety and exploratory efficacy of CAP-1002 in patients with cardiomyopathy associated with

DMD. Twenty-five patients were randomized in a 1:1 ratio to receive either CAP-1002 on top of usual care or usual care only. In patients receiving CAP-1002, 25 million cells were infused into each of their three main coronary arteries for a total dose of 75 million cells. It was a one-time treatment, and the last patient was infused in September 2016. Patients were observed over the course of 12 months. Efficacy was evaluated according to several exploratory outcome measures. This study was funded in part through a grant award (the"CIRM Award") from the California Institute for Regenerative Medicine ("CIRM"). In January 2019, this study was published in the online issue of *Neurology*, the medical journal of the American Academy of Neurology.

We reported our 12-month data from the HOPE-Duchenne trial at a Late-Breaking Science session of the American Heart Association Scientific Sessions 2017. As shoulder function had already been lost in most of the HOPE-Duchenne participants, investigators used the combined mid-distal PUL subscales to assess changes in skeletal muscle function and found significant improvement in those treated with CAP-1002 in a defined post-hoc analysis. Among the lower-functioning patients, defined as patients with a baseline mid-distal PUL score < 55 out of 58, investigators reported sustained or improved motor function at 12 months in 8 of 9 (89%) patients treated with CAP-1002 as compared to none (0%) of the usual care participants (p=0.007). Additionally, we reported significant improvements in systolic thickening of the left ventricular wall as well as reduction in scarring of the heart muscle among those treated with CAP-1002 decreased relative to the control group.

CAP-1002 was generally safe and well-tolerated in the HOPE-Duchenne trial. There was no significant difference in the incidences of treatment-emergent adverse events in either group. There were no early study discontinuations due to adverse events.

Regulatory Designations for CAP-1002 for the treatment of DMD

In April 2015, the FDA granted Orphan Drug Designation to CAP-1002 for the treatment of DMD. Orphan Drug Designation is granted by the FDA's Office of Orphan Drug Products to drugs intended to treat a rare disease or condition affecting fewer than 200,000 people in the United States or a disease or condition that affects more than 200,000 people in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for this type of disease or condition will be recovered from sales in the United States for that drug. This designation confers special incentives to the drug developer, including tax credits on the clinical development costs and prescription drug user fee waivers and may allow for a seven-year period of market exclusivity in the United States upon FDA approval.

In July 2017, the FDA granted Rare Pediatric Disease Designation to CAP-1002 for the treatment of DMD. The FDA defines a "rare pediatric disease" as a serious or life-threatening disease in which the serious or life-threatening manifestations primarily affect individuals aged from birth to 18 years and that affects fewer than 200,000 individuals in the United States, or a disease or condition that affects more than 200,000 people in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for this type of disease or condition will be recovered from sales in the United States for that drug. Under the FDA's Rare Pediatric Disease Priority Review Voucher program, upon the approval of a qualifying New Drug Application, or NDA, or BLA for the treatment of a rare pediatric disease, the sponsor of such application would be eligible for a Rare Pediatric Disease Priority Review Voucher that can be used to obtain priority review for a subsequent NDA or BLA. The Priority Review Voucher may be sold or transferred an unlimited number of times.

In February 2018, we were notified by the FDA Office of Tissues and Advanced Therapies, that we were granted the RMAT, designation for CAP-1002 for the treatment of DMD. The FDA grants the RMAT designation to regenerative medicine therapies intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition and for which preliminary clinical evidence indicates a potential to address unmet medical needs for that condition. The RMAT designation makes therapies eligible for the same actions to expedite the development and review of a marketing application that are available to drugs that receive fast track or breakthrough therapy designation – including increased meeting opportunities, early interactions to discuss any potential surrogate or intermediate endpoints and the potential to support accelerated approval. CAP-1002 is one of the few therapies currently in development to help non-ambulant patients with DMD. To receive the RMAT designation, we submitted data from the HOPE-Duchenne Trial.

CAP-1002 for the Treatment of SARS-CoV-2

Within the framework of SARS-CoV-2 pathogenesis, multiple pathways known to be CAP-1002 sensitive may serve as therapeutic targets. These targets include pro-inflammatory pathways (TNF-α, interferon γ, IL-1, and IL-6) and anti-inflammatory pathways (regulatory T cells and IL-10) that have been explored with CAP-1002 in preclinical models of myocardial ischemia, myocarditis, heart failure, Duchenne muscular dystrophy and pulmonary hypertension. Given that CAP-1002 polarizes macrophages to an anti-inflammatory (healing) immunomodulatory phenotype, CAP-1002 may subsequently attenuate cytokine storm associated with SARS-CoV-2. Furthermore, as CAP-1002 directly targets cardiac dysfunction, CAP-1002 potentially may also be an important tool in the treatment of the cardiac complications of SARS-CoV-2. We are currently conducting the INSPIRE Phase II clinical trial in patients with a diagnosis of SARS-CoV-2.

CAP-1002 for the Treatment of Cardiac Conditions:

In previous years, we completed several trials investigating the use of CAP-1002 for the treatment of various cardiac conditions, including heart failure (the DYNAMIC Trial) and post myocardial infarction (MI) with cardiac dysfunction (the ALLSTAR trial). Because of our decision to focus our efforts on DMD, we have decided not to pursue those indications at this time, nor do we have any plans to continue with the development of these programs. We expect no further material expenses in connection with these programs.

CAP-1002 - Investigator Sponsored Clinical Trials:

Capricor provided cells for investigational purposes in two clinical trials sponsored by CSMC. These cells were developed as part of the Company's past research and development efforts. The first trial is known as "Regression of Fibrosis and Reversal of Diastolic Dysfunction in HFpEF Patients Treated with Allogeneic CDCs, or the REGRESS trial. Dr. Eduardo Marbán is the named principal investigator under the study. The second trial is known as "Pulmonary Arterial Hypertension treated with Cardiosphere-derived Allogeneic Stem Cells, or the ALPHA trial. In this trial, the investigational product was infused into the venous system via catheter into the right atrium. CSMC informed us that the REGRESS and ALPHA studies have been completed and as a result, we do not expect to receive any further material revenues from these trials.

Exosomes Program

Our exosomes program consists of exosome-based vaccines, engineered exosomes and exosomes derived from CDCs (CAP-2003), all of which are in various stages of development. We have explored the use of our CDC-exosomes in preclinical studies of inflammation and intense immune activation such as DMD, sepsis, Graft versus-host disease (GVHD) and trauma. While CDC-exosomes are the initial technology we have used in preclinical development, we have expanded Capricor's pipeline to include additional exosome technologies.

We are now focused on developing a precision-engineered exosome platform technology that has the ability to deliver defined sets of effector molecules which exert their effects through defined mechanisms of action. We have begun work on our planned expansion of our exosome platform technology that potentially may be used for vaccine development, vesicle mediated protein therapies and treatment of monogenic diseases.

In conjunction with these expansion efforts, we have entered into the SRA with JHU pursuant to which researchers in the lab of Dr. Stephen Gould are performing certain research activities in connection with our exosomes program and the further development of the platform.

Exosomes-Based Vaccine Platform

We are now working on developing exosome-based vaccines for COVID-19. The exosome-based vaccine platform technology will aim to combine the improved protection that comes from immunizing individuals with multiple antigens in a manner that mimics the advantages of conventional virus vaccines, with the superior safety profile of virus-free vaccines. We are currently designing exosome-based vaccines to elicit strong humoral and cellular immune responses due to the simultaneous expression of antigens.

We are currently engaged in the development of a vaccine candidate for the potential prevention of COVID-19. The vaccine candidate is a multivalent exosome-mRNA vaccine which is designed to elicit a protective, long-lasting immune response to SARS-CoV-2 by targeting multiple structural proteins of the virus. In December 2020, we announced positive preclinical data from a study using our exosome-mRNA vaccine approach. We have also been investigating an exosomal antigen vaccine which is a vesicle-based, nucleic acid-free formulation carrying multiple structural proteins of SARS-CoV-2. We continue to assess this technology for potential uses within infectious diseases and potentially other uses.

Furthermore, we recently entered into the JHU Exosome License Agreement with JHU for its co-owned interest in certain intellectual property rights related to exosome-mRNA vaccines and therapeutics as well as a non-exclusive license to intellectual property, know-how and data with JHU related to a new imaging-based serology test platform for COVID-19. This platform, which is amenable to a vast array of serology applications, has been applied to the analysis of patient antibodies to multiple SARS-CoV-2 proteins, including spike, nucleocapsid, and membrane. The development of this companion diagnostic allows us to accurately evaluate the effects of our vaccines and therapeutics and we intend to explore the potential for partnership opportunities for this technology.

Engineered Exosomes Platform

Building upon the natural ability of exosomes for intercellular communication, we are focused on engineering exosomes to load them with different macromolecules. We are actively developing an engineered exosomes platform for the delivery of nucleic acids, including mRNA, for a variety of different diseases. In collaboration with researchers at JHU, we recently published data demonstrating exosome-mediated delivery of mRNAs with enhanced expression and lower toxicity compared to lipid nanoparticles. Additionally, we showed functional enzyme expression and real-time imaging of mRNA expression in live animals. Building on this platform, we have promising data for enhanced targeting of exosomes. Our plan is to actively develop this platform for a broad spectrum of diseases.

CDC-Exosomes (CAP-2003)

We have promising preclinical data in several indications from studies done in our labs as well as in collaboration with other companies and academic institutions. Additionally, in July 2018, we entered into a Cooperative Research and Development Agreement with the USAISR pursuant to which we agreed to cooperate in research and development on the evaluation of our CDC-Exosomes for the treatment of trauma related injuries and conditions which are one of the leading causes of death in the U.S.

In April 2020, we filed an IND with the FDA to investigate the use of CAP-2003 in patients with DMD. At this time, the FDA has requested more information related to manufacturing and we are evaluating the next steps for this program. We need to submit further information to FDA to support the potential acceptance of this IND.

These programs represent our core technology and products.

Financial Operations Overview

We have no commercial product sales to date and will not have the ability to generate any commercial product revenue until after we have received approval from the FDA or equivalent foreign regulatory bodies to begin selling our pharmaceutical product candidates. Developing pharmaceutical products is a lengthy and very expensive process. Even if we obtain the capital necessary to continue the development of our product candidates, whether through a strategic transaction or otherwise, we do not expect to complete the development of a product candidate for several years, if ever. To date, most of our development expenses have related to our product candidates, consisting of CAP-1002 and our exosome technologies. As we proceed with the clinical development of CAP-1002, and as we further develop our exosome technologies, our expenses will further increase. Accordingly, our success depends not only on the safety and efficacy of our product candidates, but also on our ability to finance the development of our products and our clinical programs. Our recent major sources of working capital have been primarily proceeds from private and public equity sales of securities. While we pursue our preclinical and clinical programs, we continue to explore potential partnerships for the development of one or more of our product candidates.

Research and development ("R&D) expenses consist primarily of salaries and related personnel costs, supplies, clinical trial costs, patient treatment costs, rent for laboratories and manufacturing facilities, consulting fees, costs of personnel and supplies for manufacturing, costs of service providers for preclinical, clinical and manufacturing, and certain legal expenses resulting from intellectual property prosecution, stock compensation expense and other expenses relating to the design, development, testing and enhancement of our product candidates. Except for certain capitalized intangible assets, R&D costs are expensed as incurred.

General and administrative ("G&A") expenses consist primarily of salaries and related expenses for executive, finance and other administrative personnel, stock compensation expense, accounting, legal and other professional fees, consulting expenses, rent for corporate offices, business insurance and other corporate expenses.

Our results have included non-cash compensation expense due to the issuance of stock options and warrants, as applicable. We expense the fair value of stock options and warrants over their vesting period as applicable. When more precise pricing data is unavailable, we determine the fair value of stock options using the Black-Scholes option-pricing model. The terms and vesting schedules for share-based awards vary by type of grant and the employment status of the grantee. Generally, the awards vest based upon time-based or performance-based conditions. Performance-based conditions generally include the attainment of goals related to our financial performance and product development. Stock-based compensation expense is included in the consolidated statements of operations under G&A or R&D expenses, as applicable. We expect to record additional non-cash compensation expense in the future, which may be significant.

Results of Operations

Revenue

Grant Income. Grant income for the three months ended June 30, 2021 and 2020 was zero and approximately $50,000, respectively. Grant income for the second quarter of 2020 related to the DoD Grant Award. The decrease relates to the timing of the award as the DoD Grant Award expired in September 2020.

Grant income for the six months ended June 30, 2021 and 2020 was zero and approximately $0.2 million, respectively.

Miscellaneous Income. Miscellaneous income for the three months ended June 30, 2021 and 2020 was approximately $0.2 million and zero, respectively. The miscellaneous income was related to providing cells for investigational purposes for clinical trials sponsored by CSMC. During 2020, the clinical trials sponsored by CSMC had delays caused by the COVID-19 pandemic.

Miscellaneous income for the six months ended June 30, 2021 and 2020 was approximately $0.2 million and $0.1 million, respectively.

Operating Expenses

General and Administrative Expenses. G&A expenses for the three months ended June 30, 2021 and 2020 were approximately $1.8 million and $1.6 million, respectively. The increase of approximately $0.2 million in G&A expenses in the second quarter of 2021 compared to the same period of 2020 is primarily attributable to an increase of approximately $0.2 million in salaries and recruiting expense. Furthermore, there was an increase of approximately $0.1 million attributable to an increase in insurance expenses and approximately $0.1 million related to other general expenses while there was a decrease of approximately $0.1 million for investor relations expenses and approximately $0.1 million for legal expenses.

G&A expenses for the six months ended June 30, 2021 and 2020 were approximately $3.7 million and $2.7 million, respectively. The increase of approximately $1.0 million in G&A expenses in the first half of 2021 compared to the same period of 2020 is primarily attributable to an increase of approximately $0.6 million in salaries, recruiting, and stock-based compensation expense. Furthermore, there was an increase of approximately $0.2 million attributable to an increase in insurance expense and approximately $0.1 million related to other general expenses.

Research and Development Expenses. R&D expenses for the three months ended June 30, 2021 and 2020 were approximately $3.5 million and $1.9 million, respectively. The increase of approximately $1.6 million in R&D expenses in the second quarter of 2021 compared to the same period of 2020 is primarily due to the timing of clinical development activities of CAP-1002 (DMD and COVID-19 clinical trials). These activities resulted in a net increase of approximately $0.4 million. Furthermore, for the quarter ended June 30, 2021, there was an increase of approximately $0.6 million in research and development expenses primarily related to our exosomes program and an increase of approximately $0.6 million in technology transfer and manufacturing related activities of CAP-1002.

R&D expenses for the six months ended June 30, 2021 and 2020 were approximately $6.8 million and $3.1 million, respectively. The increase of approximately $3.7 million in R&D expenses in the first half of 2021 compared to the same period of 2020 is primarily due to the timing of clinical development activities of CAP-1002 (DMD and COVID-19 clinical trials). These activities resulted in a net increase of approximately $1.0 million. Furthermore, for the first half of 2021, there was an increase of approximately $1.3 million in research and development expenses primarily related to our exosomes program and an increase of approximately $1.3 million in technology transfer and manufacturing related activities of CAP-1002. Lastly, there was an increase of approximately $0.1 million in stock-based compensation expenses allocable to R&D for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Products Under Active Development

CAP-1002 – CAP-1002 is in its developmental stages. We expect to spend approximately $6.0 million to $8.0 million during 2021 on the development of CAP-1002 for DMD and COVID-19, which expenses are primarily related to clinical, regulatory and manufacturing-related expenses, including our technology transfer with Lonza Houston, Inc. These figures are largely dependent on the next steps in our DMD and COVID-19 programs, the regulatory status of our programs with the FDA, and our ability to secure a partner for the potential future further clinical development of CAP-1002 for DMD, if necessary and various other factors.

Exosome Technologies – We expect to spend approximately $6.0 million to $8.0 million during 2021 on development expenses related to our exosomes program, which includes preclinical and manufacturing related expenses for these technologies. Our expenses for this program are primarily related to our exosome-mRNA vaccine, which may include expenses related conducting a clinical trial, subject to regulatory approval, as well as expenses focused on the expansion of our engineered exosomes platform, including the planned expansion of our research and development team. Furthermore, we have expenses in connection with the SRA for further research related to our exosome platform technology.

Our expenditures on current and future clinical development programs, particularly our CAP-1002 and exosomes programs, cannot be predicted with any significant degree of certainty as they are dependent on the results of our current trials and our ability to secure additional funding and a strategic partner. Further, we cannot predict with any significant degree of certainty the amount of time which will be required to complete our clinical trials, the costs of completing research and development projects or whether, when and to what extent we will generate revenues from the commercialization and sale of any of our product candidates. The duration and cost of clinical trials may vary significantly over the life of a project as a result of unanticipated events arising during manufacturing and clinical development and as a result of a variety of other factors, including:

- the number of trials and studies in a clinical program;
- the number of patients who participate in the trials;
- the number of sites included in the trials;
- the rates of patient recruitment and enrollment;
- the duration of patient treatment and follow-up;
- the costs of manufacturing our product candidates;
- the availability of necessary materials required to make our product candidatse;
- the costs, requirements and timing of, and the ability to secure, regulatory approvals; and
- additional delays caused by the COVID-19 pandemic.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of June 30, 2021 and December 31, 2020 and our net increase in cash and cash equivalents for the six months ended June 30, 2021 and 2020, and is intended to supplement the more detailed discussion that follows. The amounts stated in the tables below are expressed in thousands.

Liquidity and capital resources	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 38,078	$ 32,666
Working capital	$ 35,558	$ 30,706
Stockholders' equity	$ 33,380	$ 28,200

	Six months ended June 30,	
Cash flow data	2021	2020
Cash provided by (used in):		
Operating activities	$ (7,844)	$ (3,235)
Investing activities	(359)	5,879
Financing activities	13,615	29,709
Net increase in cash and cash equivalents	$ 5,412	$ 32,353

Our total cash and cash equivalents as of June 30, 2021 was approximately $38.1 million compared to approximately $32.7 million as of December 31, 2020. The increase in cash and cash equivalents from December 31, 2020 to June 30, 2021 is primarily due to net proceeds related to financing activities of approximately $13.6 million and a net loss of approximately $9.9 million for the six months ended June 30, 2021. As of June 30, 2021, we had approximately $6.5 million in total liabilities and approximately $35.6 million in net working capital.

Cash used in operating activities was approximately $7.8 million and $3.2 million for the six months ended June 30, 2021 and 2020, respectively. The difference of approximately $4.6 million in cash from operating activities is primarily due to an increase of approximately $4.3 million in net loss for the six months ended June 30, 2021 as compared to the same period in 2020. Furthermore, there was an increase of approximately $0.4 million in accounts payable and accrued liabilities and an increase of approximately $0.5 million in stock-based compensation for the six months ended June 30, 2021 as compared to the same period in 2020. To the extent we obtain sufficient capital and/or long-term debt funding and are able to continue developing our product candidates, including if we expand our technology portfolio, engage in further research and development activities, and, in particular, conduct preclinical studies and clinical trials, we expect to continue incurring substantial losses, which will generate negative net cash flows from operating activities.

We had cash flow used in investing activities of approximately $0.4 million and provided by investing activities of approximately $5.9 million for the six months ended June 30, 2021 and 2020, respectively. The decrease in cash from investing activities for the six months ended June 30, 2021 as compared to the same period of 2020 is primarily due to the net effect from purchases, sales, and maturities of marketable securities.

We had cash flow provided by financing activities of approximately $13.6 million and $29.7 million for the six months ended June 30, 2021 and 2020, respectively. The decrease in cash provided by financing activities for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 is primarily due to the proceeds from issuance of stock in connection to the May 2020 ATM Program (as described below) and exercise of common warrants during the second quarter of 2020.

From inception through June 30, 2021, we financed our operations primarily through private and public sales of our equity securities, NIH and DoD grants, a payment from a former collaboration partner, a CIRM loan and the CIRM Award. As we have not generated any revenue from the commercial sale of our products to date, and we do not expect to generate revenue for several years, if ever, we will need to raise substantial additional capital to fund our research and development, including our long-term plans for clinical trials and new product development. We may seek to raise additional funds through various potential sources, such as equity and debt financings, government grants, or through strategic collaborations and license agreements. We can give no assurances that we will be able to secure such additional sources of funds to support our operations, complete our clinical trials or if such funds become available to us, that such

additional financing will be sufficient to meet our needs. Moreover, to the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution, and debt financing, if available, may involve restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or our product candidates or grant licenses on terms that may not be favorable to us.

Our estimates regarding the sufficiency of our financial resources are based on assumptions that may prove to be wrong. We may need to obtain additional funds sooner than planned or in greater amounts than we currently anticipate. At this time, we believe our cash resources are sufficient to fund our operations for at least the next twelve months. The actual amount of funds we will need to operate is subject to many factors, some of which are beyond our control. These factors include the following:

- the progress of our research activities;
- the number and scope of our research programs;
- the progress and success of our preclinical and clinical development activities;
- the progress of the development efforts of parties with whom we have entered into research and development agreements;
- the availability of materials necessary to manufacture our product candidates;
- the costs of manufacturing our product candidates, and the progress of efforts with parties with whom we may enter into commercial manufacturing agreements;
- our ability to maintain current research and development programs and to establish new research and development and licensing arrangements;
- additional costs associated with maintaining licenses and insurance;
- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights; and
- the costs and timing of regulatory approvals.

As a result of the spread of the COVID-19 coronavirus, uncertainties have arisen that have impacted enrollment of clinical trials, deliverables related to contract performance, payments from trial sponsors, workforce stability, supply chain disruptions or delays, timing of grant disbursements as well as other potential business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its expected duration. In addition to potential impact on grant disbursements, there may be risks to the Company's ability to obtain financing from other sources, due to the impact of the coronavirus. There could be other financial impacts on our business from the coronavirus, the specifics of which are unknown at this time.

Financing Activities by the Company

June 2021 ATM Program. On June 21, 2021, the Company initiated an at-the-market offering under a prospectus supplement for aggregate sales proceeds of up to $75.0 million (the "June 2021 ATM Program"), with the common stock to be distributed at the market prices prevailing at the time of sale. The June 2021 ATM Program was established under a Common Stock Sales Agreement (the "Sales Agreement"), with H.C. Wainwright & Co. LLC ("Wainwright"), under which we may, from time to time, issue and sell shares of our common stock through Wainwright as sales agent. The Sales Agreement provides that Wainwright will be entitled to compensation for its services at a commission rate of 3.0% of the gross sales price per share of common stock sold. All shares issued pursuant to the June 2021 ATM Program were issued pursuant to our shelf registration statement on Form S-3 (File No. 333-254363), which was initially filed with the Securities and Exchange Commission (the "SEC") on March 16, 2021, amended on June 15, 2021 and declared effective by the SEC on June 16, 2021. Since June 21, 2021 and through August 12, 2021, the Company has sold an aggregate of 142,475 shares of common stock under the June 2021 ATM Program at an average price of approximately $5.61 per share for gross proceeds of approximately $0.8 million. Approximately $74.2 million of common stock may still be sold pursuant to the June 2021 ATM Program. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to Wainwright, as well as legal and accounting fees in the aggregate amount of approximately $40,000.

May 2020 ATM Program. On May 4, 2020, the Company initiated an at-the-market offering under a prospectus supplement for aggregate sales proceeds of up to $40.0 million (the "May 2020 ATM Program"), with the common stock

to be distributed at the market prices prevailing at the time of sale. The May 2020 ATM Program was established under the Sales Agreement. All shares issued pursuant to the July 2019 ATM Program were issued pursuant to our shelf registration statement on Form S-3 (File No. 333-227955), which was initially filed with the SEC on October 24, 2018, amended on July 17, 2019 and declared effective by the SEC on July 18, 2019. Since May 4, 2020 and through June 21, 2021, the Company has sold an aggregate of 6,027,852 shares of common stock under the May 2020 ATM Program at an average price of approximately $6.15 per share for gross proceeds of approximately $37.1 million. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to Wainwright, as well as legal and accounting fees in the aggregate amount of approximately $1.2 million. As of June 21, 2021, the May 2020 ATM Program has expired and been replaced with the June 2021 ATM Program.

March 2020 Warrant Inducement. On March 25, 2020, the Company entered into a letter agreement (the "Exercise Agreement"), with a holder of December 2019 Common Warrants (as defined below) (the "Exercising Holder"). Pursuant to the Exercise Agreement, in connection with the exercise by the Exercising Holder of the remaining 4,000,000 December 2019 Common Warrants held by the Exercising Holder which had not been previously exercised, the Company agreed to issue 4,000,000 additional warrants (the "New Warrants"), to purchase shares of common stock. The December 2019 Common Warrants had a per share exercise price of $1.10, and pursuant to the Exercise Agreement, the Exercising Holder agreed to pay $1.225 per share to cover both the exercise price of the December 2019 Common Warrants and a $0.125 per share purchase price for the New Warrants. The New Warrants have an exercise price of $1.27 per share.

The New Warrants and the shares of Common Stock issuable upon the exercise of the New Warrants were not registered under the Securities Act of 1933, as amended (the "Securities Act"), and were offered pursuant to the exemption provided in Section 4(a)(2) under the Securities Act or Rule 506(b) promulgated thereunder. The New Warrants are exercisable immediately upon issuance, and have a term of exercise of 5 1/2 years.

The Company received aggregate gross proceeds of approximately $4.9 million from the exercise of the December 2019 Common Warrants by the Exercising Holder. These gross proceeds were reduced by fees due and payable to the placement agent for the transactions pursuant to the Exercise Agreement and New Warrants in the amount of $343,000, and further reduced by reimbursements to the placement agent for legal fees and other expenses. In addition, certain employees of the placement agent received new warrants (the "March 2020 Placement Agent Warrants"), for shares of Common Stock equal to 5.0% of the New Warrants issued, or 200,000 shares. These March 2020 Placement Agent Warrants are exercisable immediately and have a term of exercise of 5 years. The holders of each of the New Warrants and of the March 2020 Placement Agent Warrants have the option to make a cashless exercise of such warrant if no resale registration statement covering the shares of the Company's Common Stock underlying such warrant is effective after six months. On May 7, 2020, the Company filed a resale registration statement on Form S-3 for the shares underlying the New Warrants and March 2020 Placement Agent Warrants, and that resale registration statement was declared effective by the SEC on May 19, 2020. As of June 30, 2021, 65,000 March 2020 Placement Agent Warrants remained outstanding under the March 2020 Warrant Inducement.

December 2019 Public Offering. In December 2019, the Company completed a public offering (the "December Offering"), pursuant to which the Company issued (i) 531,173 shares of its common stock, (ii) warrants (the "December 2019 Common Warrant"), to purchase up to 4,139,477 shares of common stock, and (iii) pre-funded warrants to purchase up to 3,608,304 shares of common stock, at a combined purchase price of $1.226 per share and associated December 2019 Common Warrant and $1.225 per pre-funded warrant and associated December 2019 Common Warrant for an aggregate purchase price of approximately $5.1 million. The Company issued (a) to each purchaser of shares in the December Offering a December 2019 Common Warrant to purchase a number of shares of common stock equal to the number of shares purchased by such purchaser in the December Offering, and (b) to each purchaser of pre-funded warrants in the December Offering a December 2019 Common Warrant to purchase a number of shares of common stock equal to the number of pre-funded warrant shares underlying the pre-funded warrants purchased by such purchaser in the December Offering. All shares and warrants issued pursuant to the December Offering, other than the Placement Agent Warrants, were issued pursuant to our registration statement on Form S-1 (File No. 333-235358), which was initially filed with the SEC on December 5, 2019, amended on December 13, 2019 and declared effective by the SEC on December 17, 2019. Fees paid in conjunction with the deal, which included placement agent commissions, management fees, legal costs, and other offering expenses, amount to approximately $0.7 million in the aggregate and were recorded as a reduction to

additional paid-in capital, resulting in net proceeds of approximately $4.4 million. As of June 30, 2021, 61,173 December 2019 Common Warrants remained outstanding under the December 2019 Financing.

August 2019 ATM Program. On August 29, 2019, the Company initiated an at-the-market offering under a prospectus supplement for aggregate sales proceeds of up to $1.95 million (the "August 2019 ATM Program"), with the common stock to be distributed at the market prices prevailing at the time of sale. The August 2019 ATM Program was established under the Sales Agreement. All shares issued pursuant to the August 2019 ATM Program were issued pursuant to our shelf registration statement on Form S-3 (File No. 333-227955), which was initially filed with the SEC, on October 24, 2018, amended on July 17, 2019 and declared effective by the SEC on July 18, 2019. At the expiration of the August 2019 ATM Program, the Company had sold an aggregate of 360,316 shares of common stock under the August 2019 ATM Program at an average price of approximately $3.07 per share for gross proceeds of approximately $1.1 million. The Company paid cash commissions on the gross proceeds, plus reimbursement of expenses to the placement agent, as well as legal and accounting fees in the aggregate amount of approximately $0.1 million. As of May 4, 2020, the August 2019 ATM Program has expired and been replaced with the May 2020 ATM Program.

Financing Activities by Capricor, Inc.

CIRM Grant Award

On June 16, 2016, Capricor entered into the CIRM Award with CIRM in the amount of approximately $3.4 million to fund, in part, Capricor's Phase I/II HOPE-Duchenne clinical trial investigating CAP-1002 for the treatment of Duchenne muscular dystrophy-associated cardiomyopathy. Pursuant to terms of the CIRM Award, the disbursements were tied to the achievement of specified operational milestones. In addition, the terms of the CIRM Award included a co-funding requirement pursuant to which Capricor was required to spend approximately $2.3 million of its own capital to fund the CIRM funded research project. The CIRM Award is further subject to the conditions and requirements set forth in the CIRM Grants Administration Policy for Clinical Stage Projects. Such requirements include, without limitation, the filing of quarterly and annual reports with CIRM, the sharing of intellectual property pursuant to Title 17, California Code of Regulations (CCR) Sections 100600-100612, and the sharing with the State of California of a fraction of licensing revenue received from a CIRM funded research project and net commercial revenue from a commercialized product which resulted from the CIRM funded research as set forth in Title 17, CCR Section 100608. The maximum royalty on net commercial revenue that Capricor may be required to pay to CIRM is equal to nine times the total amount awarded and paid to Capricor.

After completing the CIRM funded research project and at any time after the award period end date (but no later than the ten-year anniversary of the date of the award), Capricor has the right to convert the CIRM Award into a loan, the terms of which will be determined based on various factors, including the stage of the research and development of the program at the time the election is made. On June 20, 2016, Capricor entered into a Loan Election Agreement with CIRM whereby, among other things, CIRM and Capricor agreed that if Capricor elects to convert the grant into a loan, the term of the loan could be up to five years from the date of execution of the applicable loan agreement; provided that the maturity date of the loan will not surpass the ten-year anniversary of the grant date of the CIRM Award. Beginning on the date of the loan, the loan shall bear interest on the unpaid principal balance, plus the interest that has accrued prior to the election point according to the terms set forth in CIRM's Loan Policy (the "New Loan Balance"), at a per annum rate equal to the LIBOR rate for a three-month deposit in U.S. dollars, as published by the Wall Street Journal on the loan date, plus one percent. Interest shall be compounded annually on the outstanding New Loan Balance commencing with the loan date and the interest shall be payable, together with the New Loan Balance, upon the due date of the loan. If Capricor elects to convert the CIRM Award into a loan, certain requirements of the CIRM Award will no longer be applicable, including the revenue sharing requirements. Capricor has not yet made its decision as to whether it will elect to convert the CIRM Award into a loan. If we elect to do so, Capricor would be required to repay some or all of the amounts awarded by CIRM, therefore the Company accounts for this award as a liability rather than income.

In June 2019, Capricor completed all milestones associated with the CIRM Award and expended all funds received. In the third quarter of 2019, Capricor completed all final close-out documentation associated with this award. As of June 30, 2021, Capricor's liability balance for the CIRM Award was approximately $3.4 million.

U.S. Department of Defense Grant Award

In September 2016, Capricor was approved for a grant award from the DoD in the amount of approximately $2.4 million to be used toward developing a scalable, commercial-ready process to manufacture CAP-2003. Under the terms of the award, disbursements were made to Capricor over a period of approximately four years, subject to annual and quarterly reporting requirements. The Company was granted a no-cost extension until September 29, 2020 to be able to utilize these funds. The Company utilized approximately $2.3 million under the terms of the award. We are currently completing all close-out documentation associated with this award.

Contractual Obligations and Commitments

We are a smaller reporting company, as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are not required to provide the information required under this item.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as described by Item 303(a)(4) of Regulation S-K as of June 30, 2021.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis, including research and development and clinical trial accruals, and stock-based compensation estimates. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our financial statements and accompanying notes.

Leases

Effective January 1, 2019, the Company adopted ASC 842, using the optional transition method utilizing the effective date as its date of initial application, for which prior periods are presented in accordance with the previous guidance in ASC 840.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than 12 months are recognized on the balance sheet as right of use assets and short-term and long-term lease liabilities, as applicable. The Company has elected not to recognize on the balance sheet leases with terms of 12 months or less. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew. The Company monitors its plans to renew its leases no less than on a quarterly basis. In addition, the Company's lease agreements generally do not contain any residual value guarantees or restrictive covenants.

Operating lease liabilities and their corresponding right of use assets are recorded based on the present value of future lease payments over the expected remaining lease term at lease commencement. Lease cost for operating leases is recognized on a straight-line basis over the lease term as an operating expense. Certain adjustments to the right of use asset may be required for items such as lease prepayments or incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. In transition to ASC 842, the Company utilized the remaining lease term of its leases in determining the appropriate incremental borrowing rate.

In accordance with ASC 842, components of a lease should be bifurcated between lease components and non-lease components. The fixed and in-substance fixed contract consideration identified must then be allocated based on the respective relative fair values to the lease components and non-lease components. However, ASC 842 provides a practical expedient that allows an accounting policy election to not separate lease and non-lease components by class of underlying asset. In using this expedient, the lease component and non-lease components are accounted for together as a single component. For real estate leases, the Company has elected to account for the lease and non-lease components together for existing classes of underlying assets and allocates the contract consideration to the lease component only. This practical expedient is not elected for manufacturing facilities and equipment embedded in product supply arrangements.

Revenue Recognition

The Company applies ASU 606, *Revenue from Contracts with Customers*, for all contracts.

Grant Income

The determination as to when income is earned is dependent on the language in each specific grant. Generally, we recognize grant income in the period in which the expense is incurred for those expenses that are deemed reimbursable under the terms of the grant. Grant income is due upon submission of reimbursement request. The transaction price varies for grant income based on the expenses incurred under the awards.

Miscellaneous Income

Revenue is recognized in connection with the delivery of doses which were developed as part of our past R&D efforts. Income is recorded when the Company has satisfied the obligations as identified in the contracts with the customer. Miscellaneous income is due upon billing. Miscellaneous income is based on contracts with fixed transaction prices.

CIRM Grant Award

Capricor accounts for the disbursements under its CIRM Award as long-term liabilities. Capricor recognizes the CIRM grant disbursements as a liability as the principal is disbursed rather than recognizing the full amount of the grant award. After completing the CIRM funded research project and after the award period end date, Capricor has the right to convert the CIRM Award into a loan, the terms of which will be determined based on various factors, including the stage of the research and the stage of development at the time the election is made. In June, 2016, Capricor entered into a Loan Election Agreement with CIRM whereby, among other things, CIRM and Capricor agreed that if Capricor elects to convert the grant into a loan, the term of the loan could be up to five years from the date of execution of the applicable loan agreement; provided that the maturity date of the loan will not surpass the ten-year anniversary of the grant date of the CIRM Award. Since Capricor may be required to repay some or all of the amounts awarded by CIRM, the Company accounts for this award as a liability rather than income.

Research and Development Expenses and Accruals

R&D expenses consist primarily of salaries and related personnel costs, supplies, clinical trial costs, patient treatment costs, rent for laboratories and manufacturing facilities, consulting fees, costs of personnel and supplies for manufacturing, costs of service providers for preclinical, clinical and manufacturing, and certain legal expenses resulting from intellectual property prosecution, stock compensation expense and other expenses relating to the design, development, testing and enhancement of our product candidates. Except for certain capitalized intangible assets, R&D costs are expensed as incurred.

Our cost accruals for clinical trials and other R&D activities are based on estimates of the services received and efforts expended pursuant to contracts with numerous clinical trial centers and contract research organizations (“CROs”), clinical study sites, laboratories, consultants or other clinical trial vendors that perform activities in connection with a trial. Related contracts vary significantly in length and may be for a fixed amount, a variable amount based on actual costs incurred, capped at a certain limit, or for a combination of fixed, variable and capped amounts. Activity levels are monitored through close communication with the CROs and other clinical trial vendors, including detailed invoice and

task completion review, analysis of expenses against budgeted amounts, analysis of work performed against approved contract budgets and payment schedules, and recognition of any changes in scope of the services to be performed. Certain CRO and significant clinical trial vendors provide an estimate of costs incurred but not invoiced at the end of each quarter for each individual trial. These estimates are reviewed and discussed with the CRO or vendor as necessary, and are included in R&D expenses for the related period. For clinical study sites which are paid periodically on a per-subject basis to the institutions performing the clinical study, we accrue an estimated amount based on subject screening and enrollment in each quarter. All estimates may differ significantly from the actual amount subsequently invoiced, which may occur several months after the related services were performed.

In the normal course of business, we contract with third parties to perform various R&D activities in the on-going development of our product candidates. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. Payments under the contracts depend on factors such as the achievement of certain events, the successful enrollment of patients, and the completion of portions of the clinical trial or similar conditions. The objective of the accrual policy is to match the recording of expenses in the financial statements to the actual services received and efforts expended. As such, expense accruals related to clinical trials and other R&D activities are recognized based on our estimates of the degree of completion of the event or events specified in the applicable contract.

No adjustments for material changes in estimates have been recognized in any period presented.

Stock-Based Compensation

Our results include non-cash compensation expense as a result of the issuance of stock, stock options and warrants, as applicable. We have issued stock options to employees, directors and consultants under our five stock option plans: (i) the 2006 Stock Option Plan, (ii) the 2012 Restated Equity Incentive Plan (which superseded the 2006 Stock Option Plan), (iii) the 2012 Non-Employee Director Stock Option Plan, (iv) the 2020 Equity Incentive Plan, or the 2020 Plan, and (v) the 2021 Equity Incentive Plan.

We expense the fair value of stock-based compensation over the vesting period. When more precise pricing data is unavailable, we determine the fair value of stock options using the Black-Scholes option-pricing model. This valuation model requires us to make assumptions and judgments about the variables used in the calculation. These variables and assumptions include the weighted-average period of time that the options granted are expected to be outstanding, the volatility of our common stock, and the risk-free interest rate. We account for forfeitures upon occurrence.

Stock options or other equity instruments to non-employees (including consultants) issued as consideration for goods or services received by us are accounted for based on the fair value of the equity instruments issued. The fair value of stock options is determined using the Black-Scholes option-pricing model. The Company calculates the fair value for non-qualified options as of the date of grant and expenses over the applicable vesting periods.

The terms and vesting schedules for share-based awards vary by type of grant and the employment status of the grantee. Generally, the awards vest based upon time-based or performance-based conditions. Performance-based conditions generally include the attainment of goals related to our financial and development performance. Stock-based compensation expense is included in general and administrative expense or research and development expense, as applicable, in the Statements of Operations and Comprehensive Income (Loss). We expect to record additional non-cash compensation expense in the future, which may be significant.

Clinical Trial Expense

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued expenses. Our clinical trial accrual process is designed to account for expenses resulting from our obligations under contracts with vendors, consultants, and CROs and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided to us under such contracts. Our objective is to reflect the appropriate clinical trial expenses in our consolidated financial statements by matching the

appropriate expenses with the period in which services are provided and efforts are expended. We account for these expenses according to the progress of the trial as measured by patient progression and the timing of various aspects of the trial. We determine accrual estimates through financial models that take into account discussion with applicable personnel and outside service providers as to the progress or state of completion of trials, or the services completed. During the course of a clinical trial, we adjust our clinical expense recognition if actual results differ from our estimates. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial statements based on the facts and circumstances known to us at that time. Our clinical trial accrual and prepaid assets are dependent, in part, upon the receipt of timely and accurate reporting from CROs and other third-party vendors. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting amounts that are too high or too low for any particular period.

Recently Issued or Newly Adopted Accounting Pronouncements

In November 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-18, *Collaborative Arrangements (Topic 808):* clarifying the interaction between Topic 808 and Topic 606. The amendments in the update clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account; adds unit-of-account guidance in Topic 808 to align with the guidance in Topic 606 when an entity is assessing whether the collaborative arrangement or a party of the arrangement is within the scope of Topic 606; requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. The amendments for this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted ASU 2018-18 and all subsequent updates related to this topic in the first quarter of 2020. The adoption of this update did not have a material impact on the Company's financial statements.

In October 2019, the FASB issued ASU 2019-12, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2019-12 in the first quarter of 2021. The adoption of this update did not have a material impact on the Company's financial statements and footnote disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the SEC, did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statement presentation or disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our marketable securities and cash and cash equivalents. As of June 30, 2021, the fair value of our cash and cash equivalents was approximately $38.1 million. Additionally, as of June 30, 2021, Capricor's investment portfolio was classified as cash and cash equivalents, which consisted primarily of money market funds and bank money market, which included short term U.S. treasuries, bank savings and checking accounts.

The goal of our investment policy is to place our investments with highly rated credit issuers and limit the amount of credit exposure. We seek to improve the safety and likelihood of preservation of our invested funds by limiting default risk and market risk. Our investments may be exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments, if any. We will manage this exposure by performing ongoing evaluations of our investments. Due to the short-term maturities, if any, of our investments to date, their carrying value has always approximated their fair value. Our policy is to mitigate default risk by investing in high credit quality securities, and we currently do not hedge interest rate exposure. Due to our policy of making investments in U.S. treasury

securities with primarily short-term maturities, we believe that the fair value of our investment portfolio would not be significantly impacted by a hypothetical 100 basis point increase or decrease in interest rates.

Item 4. Controls and Procedures.

We have adopted and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We are not involved in any material pending legal proceedings and are not aware of any material threatened legal proceedings against us.

Item 1A. Risk Factors.

Part 1, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 15, 2021, describes important risk factors that could cause our business, financial condition, results of operations and prospects to differ significantly from those suggested by forward-looking statements made in this Quarterly Report on Form 10-Q or otherwise presented by us from time to time. There have been no material changes in our risk factors from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 15, 2021.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

2.1	Agreement and Plan of Merger, dated as of August 15, 2007, by and among SMI Products, Inc., Nile Merger Sub, Inc. and Nile Therapeutics, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 17, 2007).
2.2	Agreement and Plan of Merger and Reorganization, dated as of July 7, 2013, by and among Nile Therapeutics, Inc., Bovet Merger Corp. and Capricor, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 9, 2013).
2.3	First Amendment to Agreement and Plan of Merger and Reorganization, dated as of September 27, 2013, by and between Nile Therapeutics, Inc., Bovet Merger Corp. and Capricor, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 3, 2013).
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 9, 2007).
3.2	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 26, 2013).
3.3	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2019).
3.4	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 25, 2020).
10.1	Exclusive License Agreement, dated as of April 28, 2021, by and between Capricor, Inc. and Johns Hopkins University.* +
10.2	Capricor Therapeutics, Inc. 2021 Equity Incentive Plan.*
10.3	Form of Stock Option Agreement for Capricor Therapeutics, Inc. 2021 Equity Incentive Plan.*
31.1	Certification of Principal Executive Officer.*
31.2	Certification of Principal Financial Officer.*
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following financial information from Capricor Therapeutics, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statement of Changes in Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

+ Portions of the exhibit have been excluded because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed.

SIGNATURES

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

CAPRICOR THERAPEUTICS, INC.

Date: August 13, 2021

By: /s/ Linda Marbán, Ph.D.
Linda Marbán, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Date: August 13, 2021

By: /s/ Anthony J. Bergmann
Anthony J. Bergmann
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]", SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

Exhibit 10.1

EXCLUSIVE LICENSE AGREEMENT
Johns Hopkins University and Capricor, Inc.
JHU Agreement Number A38423

This AGREEMENT is entered into by and between the Johns Hopkins University ("JHU"), a Maryland corporation having an address at 3400 N. Charles Street, Baltimore, Maryland, 21218-2695 and, Capricor, Inc. ("LICENSEE"), a Delaware corporation having an address at 8840 Wilshire Blvd., 2nd Floor, Beverly Hills, California 90211 and is effective on the 15 day of April, 2021 ("EFFECTIVE DATE").

RECITALS

A. During a fundamental research collaboration between JHU and LICENSEE, valuable jointly owned inventions entitled [***] were discovered.

B. JHU and LICENSEE have entered in a Sponsored Research Agreement on April 1, 2020 ("SRA") to conduct pre-clinical experiments and other research activities to be conducted in the laboratory of Dr. Stephen Gould.

C. JHU owns or co-owns, by assignment or otherwise from members of its faculty and staff, certain valuable inventions, know-how, data, material, as specified in Exhibit A- 1, which JHU desires to have commercialized to make useful products and services available for the benefit of the public, including members of undeveloped countries and poor populations, as soon as possible, in accordance with JHU's mission and purpose.

D. JHU and LICENSEE have jointly filed the Licensed Patents, hereunder defined, and listed on Exbibit A-1.

E. LICENSEE co-owns those certain valuable inventions, know-how, data, and materials specified in Exhibit A-1 and desires to acquire an exclusive license to JHU's co- owned interest therein in accordance with this AGREEMENT so that it may develop, manufacture, have made, use, have used, import, offer for sale, sell, have sold, and/or distribute certain products and services for public use and benefit as soon as possible.

The parties agree, with the intent to be legally bound, as follows:

1. DEFINITIONS AND SCOPE

Capitalized terms have the meanings provided by Exhibit B or as defined in the body of this AGREEMENT.

2. GRANT OF LICENSES

2.1. **Grant of Exclusive Patent License.** Subject to this AGREEMENT, JHU grants LICENSEE an exclusive, worldwide license under the LICENSED PATENTS to make, have made, use, have used, import, have imported, export, sell, offer to sell, have sold, develop, practice, manufacture, have manufactured and commercialize LICENSED PRODUCTS in the LICENSED TERRITORY and FIELD OF USE and to grant SUBLICENSES to the LICENSED PATENTS subject to Section 2.5 (Retained Research and Publication Rights).

2.2. **Grant of Non-Exclusive Right to Use Data, Know-How, Materials.** JHU grants LICENSEE a non-exclusive, worldwide right, with the right to grant SUBLICENSES, to use its LICENSED DATA, LICENSED KNOW-HOW, and LICENSED MATERIALS, existing as of the EFFECTIVE DATE of this AGREEMENT and as identified in and subject to restrictions identified in Exhibit A-1, Exhibit F, and Exhibit G. This right to use is granted solely to LICENSEE to permit LICENSEE to develop and commercialize LICENSED PRODUCTS in the LICENSED TERRITORY in the FIELD OF USE.

2.3. **Affiliate Rights and Obligations.** The LICENSED RIGHTS granted herein extend to AFFILIATES, except that AFFILIATES may not grant SUBLICENSES without JHU's written consent. An AFFILIATE that exercises rights under this AGREEMENT shall automatically be bound by all terms and conditions of this AGREEMENT, including but not limited to indemnity and insurance provisions and the obligation to pay ROYALTIES. All acts or omissions by an AFFILIATE shall be considered acts or omissions of LICENSEE, which is, and shall remain, liable for them.

2.4. **Sublicense/Notification.** LICENSEE shall provide a complete and unredacted copy of each SUBLICENSE to JHU within thirty (30) days of execution. Each SUBLICENSE shall (i) expressly reference this AGREEMENT and declare void and unenforceable against JHU any terms contrary to this AGREEMENT; (ii) prohibit sublicensing by the SUBLICENSEE; (iii) expressly incorporate the Sections (inclusive of subsections) of this AGREEMENT numbered 4, 5, 6, 7, 8, 9, 10, 11, and 12 for the benefit of JHU; and (iv) acknowledge JHU as a third party beneficiary of the SUBLICENSE having the right to audit and enforce its terms and (v) expressly require SUBLICENSEE to provide LICENSEE diligence reports on an annual basis for the express purpose of providing those SUBLICENSEE diligence reports to JHU. In addition, each SUBLICENSE shall provide for its own immediate termination or expiration upon termination or expiration of this AGREEMENT, unless LICENSEE's entire right and interest in such SUBLICENSE (including all rights to receive ROYALTIES and other payments) is assigned in writing to JHU with JHU's consent, which shall not be unreasonably withheld or delayed. Failure to comply with the requirements of this Section 2.4 shall cause any purported SUBLICENSE to be void.

2.5. **Retained Research and Publication Rights.**

JHU retains the unrestricted right, on behalf of itself, its faculty, and staff and non- profit academic or research institutions to whom JHU extends such rights, to practice

and use any LICENSED RIGHTS described in Exhibit A-1 for any research or non- profit purpose, including sponsored research and collaboration with commercial entities and assessment and treatment of patients at Johns Hopkins Health System/JHU institutions. In addition, the right of JHU's faculty and staff to publish all information concerning what is described in Exhibit A-1 shall not be restricted by this AGREEMENT. For purposes of clarity, JHU shall not grant any commercial rights in or to the LICENSED PATENTS to any person or entity other than LICENSEEE so long as this AGREEMENT remains in force and effect.

2.6. **Government Rights**. LICENSED PATENTS arising from research funded in whole or part by the United States government are subject to the Bayh Dole Act and its implementing regulations (35 U.S.C. §§ 200-204, 37 CFR Part 401) (collectively, "Bayh Dole Obligations"), including requirements to take effective steps in a reasonable time to achieve practical application of the LICENSED PATENTS in the FIELD OF USE and to assure LICENSED PRODUCTS sold or produced in the United States be "manufactured substantially in the United States." LICENSEE shall comply with and cooperate with JHU in assuring compliance with the Bayh Dole Obligations. JHU's obligations under Title 35 Sections 200-204 of the United States Code include the grant of an irrevocable, non-exclusive, nontransferable, royalty-free worldwide license to LICENSED PATENTS by JHU to the United States government, and a statement of United States government patent rights on all LICENSED PATENTS. All determinations of federal research funding involvement will be made solely by JHU, and JHU's determination shall be honored by LICENSEE.

2.7. **Humanitarian Rights and Obligations.**

2.7.1 The parties will cooperate such that essential medicines developed under this AGREEMENT can be made available in LEAST DEVELOPED COUNTRIES. JHU agrees to consider reasonable requests of LICENSEE for a commensurate reduction of payment obligations to JHU to facilitate the availability of LICENSED PRODUCTS in such countries.

2.7.2 JHU retains the right to grant rights to manufacture, use, distribute, sell, and import the LICENSED RIGHTS described in Exhibit A-1 to a QUALIFIED HUMANITARIAN ORGANIZATION for HUMANITARIAN PURPOSES, provided that any such grant shall expressly prohibit the manufacture, use, distribution, sale, or importation of any LICENSED PRODUCT in a country other than a LEAST DEVELOPED COUNTRY. Prior to granting such rights, JHU will notify LICENSEE, which shall have the first right to grant such rights to such QUALIFIED HUMANITARIAN ORGANIZATION.

2.8. **Commercial Development Sublicenses.** In the event LICENSEE is unable or unwilling to develop a LICENSED PRODUCT for an unserved market, use, indication or territory, upon JHU's request, LICENSEE shall negotiate with one or more potential sublicensees identified by JHU to authorize development of such product. LICENSEE shall not, however, be obligated to enter into a sublicense that

poses a material risk to the successful development and commercialization of LICENSED PRODUCTS by LICENSEE.

2.9. **Exclusions.** Nothing in this AGREEMENT imposes obligations on JHU or grants rights in any JHU technology, intellectual property, or other assets except as expressly identified in this AGREEMENT. Except as specifically provided in this AGREEMENT, JHU does not have any obligation to provide to LICENSEE any know how, inventions, data, materials, or assistance.

3. DILIGENCE AND DILIGENCE REPORTS

3.1. **Milestones.** LICENSEE shall achieve the MILESTONES set forth in Exhibit A-3 and shall notify JHU of the achievement of each MILESTONE within thirty (30) days of achieving them.

3.2. **Extension of Diligence Milestone.** LICENSEE may request, in writing, an extension of the period for achieving a diligence MILESTONE set forth in Exhibit A-3 (each a MILESTONE) by up to six months. JHU will grant the requested extension provided (i) LICENSEE has diligently pursued achievement of the MILESTONE; and (ii) LICENSEE remits with the request the milestone payment amount due upon achievement of the delayed MILESTONE. The extension of a MILESTONE shall automatically extend the deadline for subsequent MILESTONES of Exhibit A-3 respecting the same subject matter by like amount. LICENSEE may seek extensions for MILESTONES no more than twice during the term of this AGREEMENT. If LICENSEE fails to meet any MILESTONE designated in Exhibit A-3, JHU may, at its option and as its sole remedy for LICENSEE's breach of this Section, upon written notice to LICENSEE, convert the exclusive license granted under Section 2.1 hereof to a non-exclusive license or to a co-exclusive license, or terminate the LICENSE with respect to the technology covered under that particular PATENT RIGHT. Notwithstanding the foregoing, prior to JHU exercising such option, LICENSEE shall have the opportunity to cure any failure for a period of ninety (90) days after receipt of written notice from JHU of its intent to exercise its option.

3.3 **Diligence Reports**. Annually, on or before March 1 of each year, LICENSEE shall submit a Diligence and Annual Report for the prior calendar year to JHU substantially in the form attached as Exhibit D and in sufficient detail to facilitate JHU's compliance with its Bayh Dole Obligations.

4. FEES, ROYALTIES, AND MILESTONES

4.1. **Licensee's Obligation to Pay Fees, Royalties and Other Payments.** As partial consideration for the rights granted by JHU under this AGREEMENT, LICENSEE shall pay to JHU all ROYALTIES, fees, PAST PATENT COSTS, PATENT COSTS, SUBLICENSE NON-ROYALTY CONSIDERATION, and other payments LICENSED PARTIES are required to pay JHU under this AGREEMENT. SALES, actions, or omissions by any LICENSED PARTY are deemed to be SALES, actions, or omissions of LICENSEE.

4.2. **Upfront License Fee.** LICENSEE shall pay to JHU a nonrefundable UPFRONT LICENSE FEE as specified in Exhibit A-2 within thirty (30) days of the EXECUTION DATE. The UPFRONT LICENSEE FEE paid by LICENSEE to JHU shall not be credited towards any other payments LICENSEE is required to pay JHU under this AGREEMENT.

4.3. **Patent Costs**. LICENSEE shall reimburse JHU for all PAST PATENT COSTS specified in Exhibit A-2 within thirty (30) days of the EXECUTION DATE. PATENT COSTS will be invoiced to LICENSEE on a rolling basis as processed by JHU or JHU's patent counsel and are due and payable within thirty (30) days of receipt by LICENSEE. If agreed upon by JHU and LICENSEE, JHU shall arrange for patent counsel to bill PATENT COSTS directly to LICENSEE.

4.4. **Minimum Annual Royalty.** On or before January 1 of each calendar year, LICENSEE shall pay JHU the MINIMUM ANNUAL ROYALTY ("MAR") specified in Exhibit A-2. MAR payments are non-refundable and will be credited against ROYALTIES incurred by LICENSEE for the calendar year in which the MAR was due. No MAR credits will be applied to ROYALTIES incurred in prior or subsequent calendar years.

4.5. **Royalties on Licensed Products and Reports.** Within thirty (30) days of the end of each calendar quarter, LICENSEE shall pay ROYALTIES in accordance with Exhibit A-2 and submit the electronic Excel Quarterly SALES & ROYALTY Report set forth in Exhibit C. ROYALTIES shall be paid on all SALES of a LICENSED PRODUCT, and any use or manufacture of a LICENSED PRODUCT (for which LICENSEE receives consideration) in the LICENSED TERRITORY by all LICENSED PARTIES.

4.6. **Milestone Payments.** Within thirty (30) days of achieving a MILESTONE, LICENSEE shall pay the related milestone payment to JHU as specified in Exhibit A-3.

4.7. **Patent Expiration and Royalty Adjustments.**

4.7.1 **Expiration of Valid Claims.** Upon expiration of all VALID CLAIMS, LICENSEE'S obligations hereunder shall terminate unless after such expiration, LICENSEE continues to use LICENSED KNOW-HOW or LICENSED MATERIALS, and in that event, LICENSEE's obligation to pay ROYALTIES shall continue for so long as such use continues, but in no event longer than [***] from the EFFECTIVE DATE, and provided further, that such ROYALTIES shall be reduced by [***]% pursuant to Section 4.8.1.

4.7.2 **Royalty Stacking.** In the event a LICENSED PARTY pays royalties on one or more third party patents ("OTHER ROYALTIES") as a requirement to make, use or sell a LICENSED PRODUCT, then the LICENSEE may deduct [***]% of the amount paid for such OTHER ROYALTY from the ROYALTIES owed to JHU under this AGREEMENT. At no time, however, may the effective ROYALTY rate applicable to a LICENSED PRODUCT that requires OTHER ROYALTIES be less than [***]% of the

applicable ROYALTY rate as set forth in Exhibit A-2. No deduction under this Section 4.7.2 shall be made for OTHER ROYALTIES paid to an AFFILIATE, division, or corporation sharing a common business location or any corporate officer with LICENSEE or to any SUBLICENSEE.

4.7.3 If the SALE of any LICENSED PRODUCT is covered by more than one intellectual property right under this AGREEMENT or any other agreement with JHU that covers the same LICENSED PRODUCT as in this AGREEMENT, multiple royalties shall not be due to JHU. LICENSEE may not sell LICENSED PRODUCTS to any distributor or other third party other than for a reasonable price arrived at through arms'-length negotiations.

4.7.4 **No Duplicative Royalties.** In those circumstances in which a ROYALTY is payable to JHU from the SALE of a LICENSED PRODUCT by an AFFILIATE or SUBLICENSEE of LICENSEE, and in which a ROYALTY is also payable to LICENSEE from the SALE of the same LICENSED PRODUCT by the same AFFILIATE or SUBLICENSEE, then LICENSEE shall not be required to pay a ROYALTY to JHU with respect to the ROYALTIES so received by LICENSEE on the same LICENSED PRODUCT, if and to the extent the required ROYALTY is received by JHU from the AFFILIATE or SUBLICENSEE. This exclusion is intended to avoid the payment of duplicative ROYALTIES and shall be strictly construed. Furthermore, in no event shall a ROYALTY due to JHU on NET SALES by an AFFILIATE or SUBLIECESSEE exceed any royalty due to LICENSEE by the AFFILIATE or SUBLICENSEE on NET SALES of the same LICENSED PRODUCT.

4.8. **Royalty Duration.** LICENSEE's obligation to pay ROYALTIES on NET SALES of each LICENSED PRODUCT covered by a VALID CLAIM in a jurisdiction shall remain in effect until the expiration of all VALID CLAIMS covering the LICENSED PRODUCT in the jurisdiction, except that:

4.8.1 In the event that no VALID CLAIM among the LICENSED PATENTS covers a LICENSED PRODUCT in a jurisdiction, but LICENSEE continues to utilize any LICENSED KNOW-HOW, LICENSED DATA and/or LICENSED MATERIALS in the SALE of the LICENSED PRODUCT in the jurisdiction, then the ROYALTY rate on NET SALES of such LICENSED PRODUCTS shall be reduced by [***]% of the amount set forth in Exhibit A-2. Such KNOW-HOW ROYALTY obligation shall terminate upon LICENSEE ceasing to use such KNOW-HOW in connection with any product.

4.9 **International Licensed Products.** The duration of the LICENSEE's obligation to pay ROYALTIES shall be determined on a country-by-country basis from the date of FIRST COMMERCIAL SALE to the date of expiration of all VALID CLAIMS.

4.10 **Sublicense Non-Royalty Consideration.** LICENSEE shall pay to JHU the SUBLICENSE NON-ROYALTY CONSIDERATION as stated on Exhibit A-2

within sixty (60) days of receipt of SUBLICENSE NON-ROYALTY CONSIDERATION by LICENSEE.

4.11 **Assignment Fee.** LICENSEE shall pay to JHU an assignment fee as provided for in Exhibit A-4 within sixty (60) days of receipt of assignment consideration from its assignee.

4.12 **Currency**. All payments by LICENSEE to JHU shall be made in U.S. Dollars. Computation of conversion to U.S. Dollars from foreign currency transactions shall be made on a quarterly basis using the exchange rate quoted by United States Federal Reserve Bank for the last business day of the calendar quarter for which payment is due. If any restrictions on the transfer of currency exist in any country or other jurisdiction so as to prevent LICENSEE from making payments to JHU, LICENSEE shall take all commercially reasonable steps to obtain a waiver of such restrictions or to otherwise enable LICENSEE to make such payments.

4.13 **Non-U.S. Taxes.** LICENSEE shall pay all non-U.S. taxes imposed on all amounts payable by LICENSEE under this AGREEMENT. Such tax payments are not deductible from any payments due to JHU.

4.14 **Invoicing by JHU.** Payments shall be due in accordance with this AGREEMENT regardless of whether or not invoiced by JHU. Should JHU send an invoice to LICENSEE, it may do so in electronic form via e-mail sent to the e-mail address supplied by LICENSEE from time to time and will be deemed received by LICENSEE upon transmission.

4.15 **Purchase Orders.** If at any time LICENSEE requires a Purchase Order to complete payment to JHU under this AGREEMENT or a new Purchase Order number is issued on an annual basis, LICENSEE shall provide Purchase Order No. with JHU Agreement A38423 to JHTVReports@JHU.edu or other email address provided by JHTV. Alternatively, LICENSEE may inform JHU of need for or change in Purchase Order number on the electronic Excel Quarterly Royalty and Sales Report.

4.16 **Payment Methods**. All payments to JHU shall be made either by check or wire transfer, in accordance with the payment instructions set forth in Exhibit A-2 as may be updated from time to time.

4.17 **Interest**. Payments not received when due shall bear interest at the rate of six percent (6%) per annum (compounded monthly) from the date due until paid in full.

5. ROYALTY REPORTS AND ACCOUNTING

5.1. **Royalty Reports.** Beginning with the FIRST COMMERCIAL SALE of a LICENSED PRODUCT, LICENSEE shall thereafter submit to JHU a Quarterly Sales and Royalty Report thirty (30) days after the end of each calendar quarter (even if there are no sales during that quarter), along with royalty payment under Section 4.5. LICENSEE agrees to submit an electronic Excel royalty report using the electronic royalty report template provided by JHU. This report will be in the form of Exhibit C and will state the number, description, and aggregate SALES of LICENSED PRODUCTS during the completed calendar quarter. This report will

be in the form of Exhibit C with all indicated columns populated as they pertain to the completed calendar quarter with adjustments and unusual occurrences documented.

5.2. **Accounting and Audit Rights.** Each LICENSED PARTY shall maintain complete and accurate books and records, for no less than seven years, relating to the rights and obligations under this AGREEMENT and any amounts payable to JHU. Such books and records shall include information sufficient to permit JHU to confirm the accuracy and completeness of any payments and reports delivered to JHU and compliance in all other respects with this AGREEMENT. Upon 14 days' notice, a LICENSED PARTY shall make such books and records available for inspection by JHU or its designee during normal business hours, to verify any reports, accuracy, and completeness of payments and/or compliance with this AGREEMENT. In the event the inspections show an underpayment to JHU of 5% or more for any quarter during the period examined, LICENSEE shall bear the full cost of the inspection, which shall be due and payable (along with past due ROYALTY, ROYALTY shortfall and other payment amounts plus interest per Section 4.17 from the date that such payments should have been made to JHU) within thirty (30) days of receiving notice from JHU of the inspection results. JHU may exercise this inspection right not more than annually unless prior inspections show consistent underpayment of 10% or more (in which case JHU may conduct follow up inspections at its discretion).

5.3. **Statute of Limitations.** Notwithstanding any applicable statute of limitation, LICENSEE agrees that it shall pay JHU for any underpayments revealed by an inspection for a period of seven (7) years prior to the inspection.

5.4. **Final Royalty Report and Payment.** Within ninety (90) days of termination of this AGREEMENT, each LICENSED PARTY shall submit a final written Sales and Royalty Report and pay all outstanding amounts due under this AGREEMENT.

6. CONFIDENTIAL INFORMATION

6.1. **Term of Confidentiality.** During the term of this AGREEMENT and for a period of five years thereafter, the parties agree that all CONFIDENTIAL INFORMATION disclosed by a party shall be maintained in confidence by the receiving party and shall not be disclosed by the receiving party to any third party unless agreed to in writing by the disclosing party or compelled by a court of competent jurisdiction; nor shall any such CONFIDENTIAL INFORMATION be used at any time by the receiving party for any purposes other than those contemplated by this AGREEMENT.

6.2. **Standard for Confidentiality.** Each party shall maintain the security of CONFIDENTIAL INFORMATION it receives from the other party by employing reasonable safeguards that are no less secure than those used to protect its own confidential records.

6.3. **Permitted Disclosures.** These obligations respecting CONFIDENTIAL INFORMATION do not preclude disclosures about this AGREEMENT and amounts paid by LICENSED PARTIES as part of routinely prepared summary

documents, regulatory filings, or financial reports, nor do they impede or impair JHU's exercise of retained research and publication rights pursuant to Section 2.5. In addition, each party may disclose the terms of this AGREEMENT (a) as required by securities or other applicable laws or by the disclosure requirements of any securities exchange or other stock market on which a party's securities are or are to be traded; (b) to prospective and other investors, SUBLICENSEES and acquirers; and (c) to such party's accountants, attorneys, and other professional advisors. Additionally, LICENSEE consents to (i) JHU's disclosure of the terms and conditions of this Agreement to all INVENTORS upon their request, and (ii) JHU's acknowledging to third parties the existence of this Agreement and the extent of the licenses granted to LICENSEE and AFFILIATES under Article 2 hereof.

7. DISCLAIMERS, LIABILITY LIMITATION

7.1 **DISCLAIMER**. JHU MAKES NO WARRANTIES UNDER THIS AGREEMENT. ALL TANGIBLE AND INTANGIBLE MATTER, INTELLECTUAL PROPERTY, TECHNOLOGY, RIGHTS, DATA, KNOW-HOW, AND MATERIALS ("DELIVERABLES") LICENSED, GRANTED, OR PROVIDED BY JHU ARE "AS IS." JHU MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESSED OR IMPLIED, AS TO ANY MATTER INCLUDING WARRANTY OF FITNESS FOR PARTICULAR PURPOSE, MERCHANTABILITY, USEFULNESS, TITLE, NONINFRINGEMENT, VALIDITY, ENFORCEABILITY, USE, UTILITY, SCOPE, OR SUCCESFUL OPERATION OF DELIVERABLES.

7.2 **LIMITS OF LIABILITY**. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES, SUCH AS LOSS OF PROFITS OR INABILITY TO USE DELIVERABLES, HOWEVER ARISING, EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. Under no circumstances shall JHU be liable for damages in excess amounts received by JHU under this AGREEMENT during the 12 months prior to the event giving rise to the claim for damages

8. INDEMNITY AND INSURANCE

8.1. **Indemnification**. LICENSEE and each applicable LICENSED PARTY (each an "Indemnitor" and collectively "Indemnitors") shall protect, defend, and indemnify the JHU INDEMNITEES from and against any claims, losses, or damages of third parties (i) allegedly arising from or related in any way to any act or omission of an Indemnitor performing or exercising rights granted under this AGREEMENT, or (ii) allegedly caused by or arising in any way from LICENSED PRODUCTS. Indemnitors shall pay to defend the JHU INDEMNITIES against any claim subject to this Section 8.1 with counsel reasonably acceptable to JHU, and shall pay and/or hold the JHU INDEMNITEES harmless as against any judgments, fees, expenses, or other costs arising from or incidental to any such lawsuit, claim, demand or other action, whether or not any JHU INDEMNITEE is named as a party defendant in any such lawsuit and whether or not the JHU INDEMNITEES are alleged to be negligent or otherwise responsible for any injuries to persons or property.

8.1.1. **Exclusions**. The LICENSED PARTY Indemnification obligation as stated herein excludes: (i) claims arising solely from the practice by JHU of its retained rights under Section 2.5 of this AGREEMENT; and (ii) claims arising solely from the negligent use or administration by a JHU INDEMNITEE of a LICENSED PRODUCT (but any related claim of product liability or Indemnitor negligence shall remain subject to Indemnification).

8.1.2. **Notice, Cooperation, and Participation**. JHU or a JHU INDEMNITEE shall provide LICENSEE with prompt notice of any claims subject to indemnification and will provide reasonable cooperation in the investigation and defense of such claims. JHU shall have the right to participate in the defense of any claim with counsel of its choice and at its own expense. JHU shall have the right to approve any settlement against JHU or that imposes any liability or obligation on JHU. JHU will not agree to or enter into any settlement of any claim for which it is seeking indemnification hereunder without the written approval of LICENSEE, which approval shall not be unreasonably withheld.

8.2. **Insurance**. LICENSEE shall, continuing throughout the term of this AGREEMENT and for a period of three years thereafter, obtain and maintain, in full force and effect and at LICENSEE's sole cost and expense, the insurance coverage as set forth in Exhibit E. LICENSEE shall provide written proof of such insurance coverage to JHU within 30 days of EXECUTION DATE or initial coverage, whichever is later, and each renewal thereof. JHU shall have the right to terminate this AGREEMENT and the licenses granted herein in the event LICENSEE or a LICENSED PARTY (as applicable) fails to obtain the required insurance or if the insurance lapses or is cancelled and LICENSEE fails to cure such default within thirty (30) days after such lapse or cancellation.

8.3. **Survival**. The foregoing indemnification obligations shall survive termination or expiration of this AGREEMENT and shall not be subject to any limitation of liability set forth in this AGREEMENT.

9. PATENTS

9.1 **Title and Authority.** Each Party shall retain and hold title to its respective interests in all patents and patent applications included in the LICENSED PATENTS. LICENSED PATENTS shall be owned (a) by JHU if invented by JHU; or (ii) co- owned, or jointly owned, by JHU and LICENSEE if jointly invented by JHU and LICENSEE.

9.2. **Domestic and Foreign Filing and Prosecution.**

9.2.1 As regards applications and patents among the LICENSED PATENTS solely owned by JHU, JHU will be initially responsible for the preparation, filing, prosecution and maintenance of all LICENSED PATENTS, using independent patent counsel reasonably acceptable to LICENSEE. JHU will: (a) instruct such patent counsel to furnish LICENSEE with copies of all correspondence relating to the LICENSED PATENTS from the United States

Patent and Trademark Office (USPTO) and any other patent office, as well as copies of all proposed responses to such correspondence in time for LICENSEE to review and comment on such response; (b) give LICENSEE an opportunity to review the text of each patent application before filing; (c) consult with LICENSEE with respect thereto; (d) supply LICENSEE with a copy of any application as filed, together with notice of its filing date and serial number; and (e) keep LICENSEE advised of the status of actual and prospective patent filings. JHU shall give LICENSEE the opportunity to provide comments on, and make requests of, JHU concerning the preparation, filing, prosecution, protection, and maintenance of the LICENSED PATENTS, and shall accept any and all reasonable comments and requests.

9.2.2 As regards co-owned applications and patents among the LICENSED PATENTS, LICENSEE shall have the right, at its option, to control the filing for, prosecution and maintenance of the LICENSED PATENTS; provided however that LICENSEE shall keep JHU reasonably informed as requested from time to time by JHU with respect to (i) the scope and content of all patent applications within the LICENSED PATENTS; and (ii) content or proposed responses to official actions of national patent offices regarding the prosecution of the LICENSED PATENTS. For purposes of this Article 9.2, "prosecution and maintenance" of patents and patent applications shall be deemed to include, without limitation, filing of applications, the conduct of interferences or oppositions, and/or requests for re-examinations, reissues, or extensions of patent terms.

9.3. **Common Interest.** All non-public information exchanged between JHU and the LICENSED PARTIES or their respective counsel regarding preparation, filing, prosecution, and maintenance of the PATENT RIGHTS shall be deemed CONFIDENTIAL INFORMATION. In addition, the parties acknowledge and agree that, with respect to such preparation, filing, prosecution and maintenance of the PATENT RIGHTS, the interests of the parties are to obtain the strongest patent protection possible, and as such, are aligned and are legal in nature. The parties agree and acknowledge that they have not waived, and nothing in this AGREEMENT constitutes a waiver of, any legal privilege concerning the PATENT RIGHTS or the CONFIDENTIAL INFORMATION, including privilege under the common interest doctrine and similar or related doctrines.

9.4. **Infringement**.

9.4.1 **Notification of Infringement by Third Party.** Each party will promptly notify the other in writing in the event it discovers, receives notice of, or otherwise reasonably suspects infringement by a third party.

9.4.2 **Suits for Infringement**. LICENSEE shall have the first right, at its own expense, to initiate and prosecute an infringement action against one or more third parties to enforce the LICENSED PATENTS in the FIELD OF USE in the LICENSED TERRITORY, provided that LICENSEE (a) notifies JHU at least sixty (60) days in advance of any such suit; (b) does not file said action

without the prior written consent of JHU, and (c) carefully considers the views of JHU and the public interest in making its decision whether or not to file suit. LICENSEE: (i) shall not initiate an infringement action in the absence of a good faith belief in the infringement, validity and enforceability of the asserted claims after reasonable investigation, (ii) shall at all times keep JHU informed as to the status of the action and shall consult with JHU throughout the action; and (iii) shall at all times carefully consider the views of JHU with respect to any infringement action, including, for example, choice of litigation counsel, venue, and litigation strategy. For purposes of clarity, nothing contained herein shall be construed to limit or otherwise impair the ability of LICENSEE to exercise its rights available under applicable law with respect to its own interest in the subject patent as a co-owner thereof.

9.4.3. **Recovery**. Any award paid by third parties as the result of any action hereunder (whether by way of settlement or otherwise) shall first be applied to reimbursement of the out-of-pocket legal fees and expenses incurred by either party (with the initiating party's fees paid first), and then the remainder shall be divided between the parties as follows:

(a) (i) If the award constitutes lost profits, LICENSEE shall receive an amount equal to the damages the court determines LICENSEE has suffered as a result of the infringement less the amount of any royalties that would have been due to JHU on sales of LICENSED PRODUCT lost by LICENSEE as a result of the infringement had LICENSEE made such sales; and (ii) JHU shall receive an amount equal to the royalties it would have received if such sales had been made by LICENSEE; or

(b) As to awards other than lost profits, [***] shall go to the party initiating such proceedings and [***] to the other party.

9.5. **Third Party Invalidity Actions**. LICENSEE shall defend at LICENSEE's expense any declaratory judgment or other action brought by a third-party naming LICENSEE and/or JHU as a defendant and alleging invalidity of any of the PATENT RIGHTS unless such action is brought as a counterclaim to a suit against the third party initiated by JHU pursuant to JHU's secondary right to enforce. JHU may, in its sole discretion and at its own expense, assume control of the defense of any third-party action, in which case LICENSEE shall cooperate fully with JHU in such defense at its own expense.

9.6. **Waiver of Invalidity Claims**. LICENSEE, on behalf of itself, its AFFILIATEs, and SUBLICENSEEs, understands and agrees that transfer of LICENSED RIGHTS under this AGREEMENT will confer substantial benefits to them, even in the absence of one of more VALID CLAIMS. Such benefits include "early mover" advantage. In addition, LICENSEE on behalf of itself, its AFFILIATEs, and SUBLICENSEEs understands and agrees that the consideration paid for LICENSED RIGHTS reflects the nature and risks of early-stage technology, and the consideration required for a license to later stage technology would be significantly

higher. Accordingly, each LICENSED PARTY agrees that it shall not initiate any action or proceeding to invalidate PATENT RIGHTS and hereby waives any rights they may have to do so.

9.7. **Patent Challenges.** Notwithstanding the foregoing, if a LICENSED PARTY initiates an action or proceeding challenging the validity of PATENT RIGHTS, the following shall apply:

(a) JHU may terminate this AGREEMENT upon written notice to LICENSEE and/or the LICENSED PARTY.

(b) No payments or reports required by this AGREEMENT shall be suspended or delayed during any challenge to PATENT RIGHTS and no such payments shall be subject to refund or recoupment for any reason.

(c) Not less than ninety (90) days prior to initiating any challenge to any PATENT RIGHTS, the party challenging PATENT RIGHTS (the "Challenging Party") shall provide written notice of the expected challenge to JHU which shall include a clear statement of the factual and legal basis for the challenge, and an identification of all prior art, documents, products, or other matter the Challenging Party believes to provide a basis for such challenge.

(d) If such action or proceeding determines that at least one claim of the PATENT RIGHTS is a VALID CLAIM and practiced by a LICENSED PRODUCT, LICENSEE and the Challenging Party shall, thereafter, pay to JHU [***] all payment amounts which LICENSEE and Challenging Party would otherwise be required to pay under this AGREEMENT, other than PATENT COSTS. LICENSEE shall not be obligated to pay increased charges if it is not a party to the challenge to PATENT RIGHTS, has not assisted or facilitated the challenge, and has fully cooperated with JHU in the defense of such challenge. Additionally, notwithstanding anything contained in this Section 9.7, if LICENSEE is advised by legal counsel that it has the obligation under applicable law to disclose prior art to any applicable patent authority or office, such disclosure shall not be deemed a challenge for purposes of this Section 9.7 and JHU shall not have the right to terminate the licenses granted pursuant to this or any other agreement and none of the other rights set forth above shall become effective.

9.8. **Marking**. All LICENSED PRODUCTS shall be marked with the number of the applicable licensed patent(s) in accordance with each country's patent laws.

10. DISPUTES.

10.1. **Governing Law, Jurisdiction and Venue.** This AGREEMENT shall be construed, and legal relations between the parties shall be determined, in accordance with the laws of the State of Maryland applicable to contracts executed and wholly to be performed within the State of Maryland without giving effect to the principles of conflicts of laws. Any disputes between the parties to the AGREEMENT shall be brought in the state or federal courts located in Baltimore, Maryland. Both parties hereby waive their right to a jury trial and consent to

jurisdiction in such courts with respect to any disputes between them.

10.2 **Resolution**. The parties shall attempt in good faith to resolve all disputes through means other than litigation, such as mediation, arbitration, or structured negotiations. Each party agrees that, prior to initiating litigation, it will confer with other party about alternatives to litigation that may enable them to resolve the dispute fairly and efficiently.

11. TERM AND TERMINATION

11.1. **Term**. The term of this AGREEMENT shall commence on the EFFECTIVE DATE and shall continue in each country until the date of expiration of the last to expire patent included within PATENT RIGHTS in that country, or if no patents issue, then for 20 years from the EFFECTIVE DATE. LICENSEE's license to the LICENSED KNOW-HOW, LICENSED DATA, AND LICENSED MATERIALS, as well as LICENSEE's right to use JHU CONFIDENTIAL INFORMATION under Paragraph 6.1, shall survive the expiration, (but not an earlier termination) of this Agreement.

11.2. **Termination by LICENSEE for Convenience**. LICENSEE may terminate this AGREEMENT upon ninety (90) days' advance written notice in its discretion and at its convenience. In addition, LICENSEE may terminate its license with respect to any particular patent or patent application, or as to any particular LICENSED PRODUCT, with 60 days' notice to JHU. From and after the effective date of a termination under this Paragraph 11.2 with respect to a particular patent or application, such patent(s) and patent application(s) in the particular country shall cease to be within the PATENT RIGHTS for all purposes of this Agreement, and all rights and obligations of LICENSEE under this Agreement with respect to such patent(s) and patent application(s) shall terminate and Exhibit A-1 shall be considered amended accordingly. LICENSEE will not be required to reimburse JHU for patent costs incurred after the 60-day notice period for such patents or patent applications. From and after the effective date of a termination under this Paragraph 11.2 with respect to a particular LICENSED PRODUCT, the license granted under Paragraph 2.1 above shall terminate with respect to such LICENSED PRODUCT, and the same shall cease to be a LICENSED PRODUCT for all purposes of this Agreement. Upon a termination of this Agreement in its entirety under this Paragraph 11.2, all rights and obligations of the parties shall terminate, except as provided in Paragraph 11.4 below.

11.3. **Termination by Either Party for Cause.** This Agreement may be terminated by either party in the event that the other party fails to perform or otherwise breaches any of its obligations hereunder, if, following the giving of notice by the terminating party of its intent to terminate and stating the grounds therefor, the party receiving such notice shall not have cured the failure or breach prior to the expiration of a sixty (60) day cure period. In no event, however, shall such notice or intention to terminate be deemed to waive any rights to damages or any other remedy which the party giving notice of breach may have as a consequence of such failure or breach. A material breach by LICENSEE may include:

(a) LICENSEE's delinquency with respect to payment or reporting;

(b) Failure to timely achieve a MILESTONE specified in Exhibit A-3 or otherwise failing to diligently develop, commercialize, and sell LICENSED PRODUCTS throughout the term of this AGREEMENT;

(c) Non-compliance with record keeping or audit obligations as stated in Sections 3 and 5 of this AGREEMENT;

(d) Voluntary bankruptcy or insolvency of LICENSEE; and

(e) Non-compliance with LICENSEE'S insurance obligations.

11.4. **Licensee Obligations Upon Termination or Expiration.** Upon expiration or termination of this AGREEMENT for any reason, LICENSEE shall remit payment to JHU for all amounts due or incurred prior to the effective date of termination, and any non-cancellable expenses (such as PATENT COSTS) undertaken prior to termination.

11.5. **Effect of Termination.** Upon termination of this AGREEMENT, all rights and licenses granted by JHU to LICENSEE under this AGREEMENT shall terminate and all rights in, to, and under the LICENSED RIGHTS will revert to JHU and LICENSEE shall cease using and destroy the LICENSED MATERIALS and shall provide evidence of such destruction to JHU. LICENSEE may, for a period of one (1) year after the effective date of such termination, sell all tangible LICENSED PRODUCTS customarily classified as "inventory" that it has on hand at the date of termination, subject to payment by LICENSEE to JHU of the applicable royalty or royalties, as set forth in Exhibit A-2. If this Agreement is terminated, both parties shall be released from all obligations and duties imposed or assumed hereunder to the extent so terminated, except as expressly provided to the contrary in this Agreement. Upon termination, both parties shall cease any further use of the CONFIDENTIAL INFORMATION disclosed to the receiving party by the other party. Termination of this Agreement, for whatever reason, shall not affect the obligation of either party to make any payments for which it is liable prior to or upon such termination. Termination shall not affect JHU's right to recover unpaid royalties, fees, reimbursement for patent expenses, or other forms of financial compensation incurred prior to termination. Notwithstanding any other provision of this Agreement, upon termination of this Agreement, any sublicenses granted in accordance with Paragraph 2.4 shall survive and, upon request, each SUBLICENSEE shall become a direct licensee of JHU, provided that JHU's obligations to SUBLICENSEE(S) are no greater than JHU's obligations to LICENSEE under this Agreement and that such SUBLICENSEE'S obligations to JHU shall be no greater than LICENSEE's obligations to JHU under this Agreement. LICENSEE shall provide written notice of such to each SUBLICENSEE(S) with a copy of such notice provided to JHU. Termination shall not alter either Party's pre-existing ownership rights in any LICENSED PATENT.

12. Miscellaneous.

12.1. **Use of Name.** LICENSEE may not use the name, trademarks, logos, or trade dress of The Johns Hopkins University, The Johns Hopkins Health System, and any of their constituent parts, such as JHU, Johns Hopkins, Hopkins, the Johns Hopkins

Hospital, Johns Hopkins Medicine or any contraction thereof or the name of INNOVATORS in any advertising, publicity or promotional literature, Web sites, electronic media applications, sales literature, fundraising documents, or press releases and other print or electronic communications without prior written consent from an authorized representative of JHU. Any request to make use of such names shall be made at least thirty (30) business days in advance of any proposed use and may be made by written request through JHTV. JHU shall have the right to list LICENSEE and display the logotype or symbol of LICENSEE on JHU's website and on JHU publications as a licensee of JHU technology.

12.2. **Independent Parties.** Nothing in this AGREEMENT shall be construed to create any agency, employment, partnership, joint venture, or similar relationship between the parties other than that of a licensor/licensee. Neither party shall have any right or authority whatsoever to incur any liability or obligation (express or implied) or otherwise act in any manner in the name or on the behalf of the other, or to make any promise, warranty, or representation binding on the other.

12.3. **Notice of Claim.** Each party shall give the other party or its representative prompt notice of any suit or action filed, or of any claim made against them arising out of the performance of this AGREEMENT.

12.4. **No Assignment**. Except as provided in Exhibit A-4, Neither party may assign this AGREEMENT, in whole or in part, without the prior written consent of the other party.

12.5 **Notices**. Any notice under any of the provisions of this AGREEMENT shall be deemed given when deposited in the mail, postage prepaid, registered or certified first-class mail or by nationally recognized private mail carrier and addressed to the applicable party at the address stated below, or such other address as such party shall specify for itself by like notice to other party. Transmission of notice by electronic mail is insufficient to meet the requirements of this provision.

If to JHU:

Director
Johns Hopkins Technology Ventures
1812 Ashland Avenue, Suite 110
Baltimore, Maryland 21205

If to LICENSEE:

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

12.6 **Export Control.** Certain of the LICENSED RIGHTS may be subject to United States laws and regulations (including the Arms Export Control Act, as amended, and the Export Administration Act of 1979) controlling the export of technical data,

computer software, laboratory prototypes, and other commodities. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances that such transfers shall not be made to certain foreign countries without prior approval of such agency. LICENSEE or the applicable LICENSED PARTY shall fully comply with such export control laws. JHU makes no representation respecting the requirements for such a license, or that, if required, that such a license will be issued.

12.7. **Successors and Assigns.** This AGREEMENT shall bind and inure to the benefit of the successors and permitted assigns of the parties.

12.8. **No Waivers; Severability.** No waiver of any breach of any provision of this AGREEMENT shall constitute a waiver of any other breach of the same or other provision of this AGREEMENT, and no waiver shall be effective unless made in writing and signed by the party waiving. Any provision of this AGREEMENT prohibited by or unenforceable under any applicable law of any jurisdiction shall as to such jurisdiction be deemed ineffective and deleted without affecting any other provision of this AGREEMENT, which shall be interpreted so as to most fully achieve the intentions of the parties.

12.9. **Entire Agreement.** This AGREEMENT supersedes all previous agreements and understandings relating to its subject matter (excluding the Sponsored Research Agreement executed by the parties), whether oral or in a writing, and constitutes the entire agreement of the parties and shall not be amended or altered in any respect except in a writing executed by the parties.

12.10. **No Agency.** LICENSEE agrees that no representation or statement by any JHU employee without authority to execute this Agreement shall be deemed to be a statement or representation by JHU, and that LICENSEE was not induced to enter this AGREEMENT based upon any statement or representation of JHU, or any employee of JHU. JHU is not responsible for any publications, experiments or results reported by any JHU employee prior to, or after, the EFFECTIVE DATE, including those reported by any of the INNOVATORS.

12.11. **Binding Agreement.** Exchange of this AGREEMENT in draft or final form between the parties shall not be considered a binding offer, and this AGREEMENT shall not be deemed final or binding on either party until the final AGREEMENT has been signed by both parties

12.12. **Delays or Omissions**. Except as expressly provided by this AGREEMENT, no delay or omission to exercise any right, power or remedy accruing to any party, shall impair any such right, power or remedy to such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or in any similar breach or default be deemed a waiver of any other prior or subsequent breach or default. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this AGREEMENT, or any waiver on the part of any party of any provisions or conditions of this AGREEMENT, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies either under this

AGREEMENT or by law or otherwise afforded to any party, shall be cumulative and not alternative.

12.13. **Survival**. All representations, warranties, covenants, and agreements made in this AGREEMENT and which by their express terms or by implication are to be performed or continue to apply after the execution and/or termination of this AGREEMENT or are prospective in nature shall survive such expiration and/or termination. In addition, and for avoidance of doubt, the following articles shall survive any termination or expiration: Articles 5, 6, 7, 8, 9, 10, and 11.

12.14. **No Third-Party Beneficiaries.** Nothing in this AGREEMENT shall be construed as giving any person, firm, corporation, or other entity, other than the parties and their successors and permitted assigns, any right, remedy or claim under or in respect of this AGREEMENT or any provision hereof.

12.15. **Headings**. Article headings are for convenient reference and are not a part of this AGREEMENT. All referenced Exhibits are part of this AGREEMENT.

12.16. **Electronic Signature.** Any signature, including any electronic symbol or process affirmatively attached to or associated with this AGREEMENT and adopted by JHU or LICENSEE to sign, authenticate, or accept such contract or record acceptance of the AGREEMENT, hereto shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based recordkeeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act or any state law based on the Uniform Electronic Transactions Act, and the parties hereby waive any objection to the contrary.

Signature Page Follows

IN WITNESS WHEREOF, the parties have caused this AGREEMENT to be executed in duplicate counterparts, each of which shall be deemed to constitute an original, effective as of EFFECTIVE DATE. The undersigned verify that they have the authority to bind to this AGREEMENT the party on behalf of which they are executing.

This AGREEMENT includes the following Exhibits:

Exhibit A: Financial Terms
- Exhibit A-1: LICENSED RIGHTS, FIELD OF USE, and LICENSED TERRITORY
- Exhibit A-2: PATENT COSTS, Fees, ROYALTIES, and Payment Terms
- Exhibit A-3: MILESTONES
- Exhibit A-4: Permitted Assignment

Exhibit B: Definition of Terms
Exhibit C. Quarterly Sales & Royalty Report Form
Exhibit D: Diligence and Annual Report Form
Exhibit E: Insurance
Exhibit F: Licensed Know-how
Exhibit G: Licensed Material

Johns Hopkins University	**Capricor, Inc.**
By: [***]	By: [***]
Name: [***]	Name: [***]
Title: [***]	Title: [***]
Date: April 28, 2021	Date: April 28, 2021

Exhibit A (A-1, A-2, A-3, A-4)

Exhibit A-1: LICENSED RIGHTS, FIELD OF USE, and LICENSED TERRITORY

LICENSED PATENTS	JHU Ref.	Capricor Ref.	US Patent Application #; Filing Date; Title of Invention
	[***]	[***]	[***] [***] [***] [***] [***] [***] [***]
		[***]	[***] [***] [***] [***] [***] [***] [***]
	[***]	[***]	[***] [***] [***] [***] [***]
		[***]	[***] [***] [***] [***] [***]
		[***]	[***] [***] [***] [***] [***]

		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]

[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

Exhibit A-2

PATENT COSTS, FEES, ROYALTIES, AND PAYMENT TERMS

[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

Payment Instructions

Checks are to be made payable to the "Johns Hopkins University." All check payments from LICENSEE to JHU shall be sent to:

[***]

or such other addresses which JHU may designate in writing from time to time.

Wire transfers may be made through:

DOMESTIC ACH & WIRE

[***]

INTERNATIONAL FED WIRE

[***]

LICENSEE shall be responsible for any and all costs associated with wire transfers.

Exhibit A-3

MILESTONES

Date or Deadline	Description of MILESTONE	Milestone Payment Fee
[***]	[***]	[***]
[***]	[***]	[***]
	[***]	[***]
	[***]	[***]
	[***]	[***]
	[***]	[***]
	[***]	[***]

Exhibit A-4

PERMITTED ASSIGNMENT

1. LICENSEE may assign this AGREEMENT as part of a sale or merger of substantially all of LICENSEE's business or assets, to which this AGREEMENT pertains, regardless of whether such a sale occurs through an asset sale, stock sale, merger or other combination, provided:

(a) LICENSEE provides written notice to JHU at least thirty (30) days in advance of such assignment, if possible;

(b) The assignee agrees, in a writing delivered to JHU, to be bound by all provisions of this AGREEMENT; and

(c) LICENSEE remits an assignment fee to JHU equal to [***].

Exhibit B

DEFINITIONS

1. "AFFILIATE" means any corporation, licensee, partnership, joint venture or other entity, which controls, is controlled by or is under common control with LICENSEE, as evidenced by the direct or indirect ownership of at least 50% of voting rights governing the entity or the contractual power to control such rights.

2. "COMBINATION PRODUCT" means a collection or group of products sold together (such as in a kit or package) that contains (i) a LICENSED PRODUCT and (ii) one or more other functional products ("Other Products") that has been sold separately for use without the LICENSED PRODUCT and which is not essential to the use or practice of the LICENSED PRODUCT. For example, a diagnostic panel comprising a LICENSED PRODUCT and an independent diagnostic biomarker.

3. "CONFIDENTIAL INFORMATION" means information disclosed by a party (the "Disclosing Party") to the other party (the "Receiving Party") in connection with performance of this AGREEMENT that (i) concern the LICENSED RIGHTS and has been maintained by the Disclosing Party as nonpublic or proprietary information, and (ii) the parties shall use their reasonable best efforts to mark Confidential Information, if in tangible or readable form, at the time of disclosure and if disclosed orally, to reduce to writing, mark confidential, and address to the other party within ten (10) days after disclosure. Notwithstanding the foregoing, the failure to mark any writing as confidential or reduce any oral disclosure to written form will not cause the information contained in any writing or disclosure to lose its confidential designation or treatment if the nature of the information disclosed is of such a nature that the receiving party knows or has reason to know is confidential, or proprietary information of the disclosing party or is information which is of such a nature or the manner or circumstance in which such information is disclosed is such that it may be reasonably inferred to be confidential and/or proprietary to the disclosing party. CONFIDENTIAL INFORMATION does not include information that (a) was already in the Receiving Party's possession before the disclosure by the Disclosing Party; (b) has been published or is later published unless such publication is a breach of this AGREEMENT; (c) is received by the Receiving Party from a third party not under an obligation of confidentiality; or (d) is independently developed by the Receiving Party's employees who did not have access to CONFIDENTIAL INFORMATION.

4. "DISCOVERED PRODUCT" means a product, material, or service that is discovered through the use of a screening method or assay covered by the LICENSED RIGHTS.

5. "FIELD OF USE" is defined in Exhibit A-1.

6. "FIRST COMMERCIAL SALE" means the first transfer by a LICENSEE for value of a LICENSED PRODUCT, with the exemption of materials transferred for use in a clinical trial at a nominal cost to the recipient.

7. "HUMANITARIAN PURPOSE" means practice of LICENSED RIGHTS in the prevention or treatment of disease in humans by or on behalf of any QUALIFIED HUMANITARIAN ORGANIZATION (including, for clarity, practice of LICENSED RIGHTS by contractors, manufactures or distributors acting for or on behalf of such QUALIFIED HUMANITARIAN ORGANIZATIONs on a fee-for-service, fee-for-product or charitable basis): (i) to manufacture LICENSED PRODUCTS anywhere in the world for the sole and express purposes of distribution and use of such LICENSED PRODUCTS in one or more LEAST DEVELOPED COUNTRIES, and (ii) to sell or otherwise distribute LICENSED PRODUCTS for use solely in one or more LEAST DEVELOPED COUNTRIES; provided, however, that sales and distribution of LICENSED PRODUCTS shall not be deemed made for humanitarian purposes unless products are distributed at locally-affordable prices.

8. "INNOVATORS" means the individuals who invented, authored, or created the LICENSED RIGHTS as identified in in Exhibit A-1.

9. "JHU INDEMNITEES" means JHU, The Johns Hopkins Hospital, The Johns Hopkins Health System Corporation, and their affiliated entities, their present and former trustees, officers, INNOVATORS, agents, faculty, employees and students.

10. "LEAST DEVELOPED COUNTRY" means those jurisdictions so defined by the United Nations Country Classification in the most recent United Nations' publication "Statistical Annex."

11. "LICENSED DATA" means the data specified in Exhibit A-1 that exists as of the EFFECTIVE DATE of the AGREEMENT.

12. "LICENSED KNOW-HOW" means all technical information and data, whether or not patented, of the JHU INNOVATORS, existing as of the EFFECTIVE DATE, necessary or useful for the use or practice of the PATENT RIGHTS as permitted under this AGREEMENT and listed under Exhibit F. LICENSED KNOW-HOW is and shall remain owned by JHU.

13. "LICENSED MATERIAL" means the material described in Exhibit A-1 and Exhibit G that exists as of the EFFECTIVE DATE of the AGREEMENT.

14. "LICENSED PARTIES" means LICENSEE, AFFILIATE, and/or SUBLICENSEE (as applicable).

15. "LICENSED PATENTS" means the patents and patent applications listed on Exhibit A-1 and includes any U.S. and non-U.S. patent applications (including PCT patent applications) claiming priority thereto and filed before the expiration of any provisional U.S. patent application listed in EXHIBIT A-1, including any and all non-U.S. counterparts, domestic or non-U.S. renewals, reissues, substitutions or additions, reexaminations, supplemental examinations, extensions, divisionals, continuations, continuations-in-part (but only to the extent that a given claim in the continuation-in-part is directed to subject matter specifically described in the applications listed in EXHIBIT A-1 and has an effective filing date of any one or more of the applications) and every patent that issues or reissues from such applications, including any corresponding foreign patents, patent applications and supplemental protection certificates; all of which are automatically incorporated in and added to Exhibit A-1 and made a part of this AGREEMENT.

LICENSED PATENTS shall be owned by (i) JHU if invented by JHU; or (ii) co-owned, or jointly owned, by JHU and LICENSEE if jointly invented by JHU and LICENSEE.

16. "LICENSED PRODUCT" means any service, process, method, material, compositions, drug, or other product that, (i) comprises, constitutes, or embodies the LICENSED RIGHTS, or (ii) requires use or practice of the LICENSED RIGHTS by LICENSED PARTIES or their customers.

17. "LICENSED RIGHTS" means all rights respecting LICENSED PATENTS, LICENSED DATA, LICENSED KNOW-HOW, and LICENSED MATERIALS granted to LICENSEE in Section 2 of this AGREEMENT.

18. "LICENSED TERRITORY" means the territory specified in Exhibit A-1.

19. "MILESTONE" means a diligence milestone or event specified in Exhibit A-2.

20. "NET SALES" means and includes the gross value of everything of value received by LICENSED PARTIES as consideration for the SALE of LICENSED PRODUCTS or COMBINATION PRODUCTS covered by a VALID CLAIM to a party that is not a LICENSED PARTY, including the fair market value of intangible rights, services and other things of value realized from SALES except for SUBLICENSEE NON-ROYALTY CONSIDERATION, as that term is defined in Exhibit A-2 of this AGREEMENT.

NET SALES generated from COMBINATION PRODUCTS shall be determined with the formula: COMBINATION PRODUCT NET SALES REVENUE = NET SALES *C/(C+D), where C is the total gross invoice price of the LICENSED PRODUCT when sold separately and D is the total gross invoice price of the Other Product(s) when sold separately.

NET SALES excludes the following items, provided they are separately invoiced to and paid by a purchaser of LICENSED PRODUCTS and thereafter paid or remitted by LICENSEE:

- import, export, excise and sales taxes, and custom duties;
- packing, freight, shipping insurance charges and transportation from the place of manufacture to the customer's premises or point of installation.
- payments that are returned by LICENSEE pursuant to applicable law,
- trade, quantity, or cash discounts allowed,
- refunds, credits or allowances for returns, rejections and recalls,
- rebates and chargebacks,
- sales, use, VAT, tariff, import/export duties, or other excise taxes that to be collected by LICENSEE and paid to governmental authorities or are invoiced to purchaser.

21. "PATENT COSTS" means all costs of prosecuting and maintaining any LICENSED PATENT, including reasonable attorneys' fees and expenses, and fees for patent filing(s), maintenance, annuities, translation, and defense against claims of infringement or invalidity, including fees and costs incurred in administrative proceedings or disputes pursuant to the America Invents Act of 2011 (such as an Inter Partes Review, Post Grant Review or Derivation Proceedings before the U.S. Patent Trial and Appeal

Board), incurred by JHU. PATENT COSTS excludes PAST PATENT COSTS.

22. "PAST PATENT COSTS" means all PATENT COSTS that are incurred by JHU prior to the EXECUTION DATE of this AGREEMENT and are able to be billed to LICENSEE on the EXECUTION DATE. For the avoidance of doubt, those PATENT COSTS incurred before the EXECUTION DATE but not available for billing until after the EXECUTION DATE will be billed as PATENT COSTS.

23. "PATENT RIGHTS" means the rights granted to LICENSEE in respect of the LICENSED PATENTS (and subject to the rights reserved or maintained by JHU)

24. "QUALIFIED HUMANITARIAN ORGANIZATION" means any governmental agency, non-governmental agency or other not-for-profit organization that has as one of its bona fide missions to address the public health needs of underserved populations on a not- for-profit basis. For clarity, QUALIFIED HUMANITARIAN ORGANIZATIONS do not include non-governmental agencies and non-for-profit organizations that are formed or established for the benefit of any for-profit entity.

25. "ROYALTIES" means payments owed to JHU in consideration of the rights granted to LICENSED PARTIES under this AGREEMENT that are determined as a percentage of NET SALES, which ROYALTY is explicitly set forth in Exhibit A-2 of this AGREEMENT.

26. "SALE" means a sale, lease, performance, transfer, delivery, contract to provide, or other disposition or conveyance for value of a LICENSED PRODUCT.

27. "SUBLICENSE" means an agreement in which LICENSEE (i) grants or otherwise transfers any of the LICENSED RIGHTS, (ii) agrees not to assert or seek a legal remedy for the practice of LICENSED RIGHTS, or (iii) creates an obligation to grant, assign or transfer any LICENSED RIGHTS to any other entity (other than an AFFILIATE).

28. "SUBLICENSEE" means any person or entity to which LICENSEE has granted a SUBLICENSE under this AGREEMENT.

29. "SUBLICENSE NON-ROYALTY CONSIDERATION" is defined in Exhibit A-2 of this AGREEMENT.

30. "VALID CLAIM" means (i) a claim of an issued and unexpired patent within the LICENSED PATENTS that has not been (a) conclusively revoked or held unenforceable, unpatentable or invalid by a competent court or tribunal and which is unappealable or unappealed in the time allowed for appeal and (b) irrevocably disclaimed, cancelled, withdrawn or abandoned or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or (ii) a pending claim of a pending patent application within the LICENSED PATENTS which claim has not been abandoned or finally disallowed without the possibility of appeal or refiling of such application, provided, however, that a pending patent application pending for more than seven (7) years shall not be considered to be a VALID CLAIM for purposes of this Agreement unless and until a patent with respect to such application issues with such claim. Determination of whether a claim of any patent within the LICENSED PATENTS is a VALID CLAIM shall be made on a country-by-country or jurisdiction-by- jurisdiction basis and shall be based solely on the decisions of the patent office and/or the courts having jurisdiction within that particular country or jurisdiction. For purposes of this Agreement, any decision adverse to the PATENT RIGHTS in a particular

country or jurisdiction shall not affect said PATENT RIGHTS in any other country or jurisdiction.

Exhibit C

QUARTERLY SALES AND ROYALTY REPORT

[***]

Exhibit D

DILIGENCE AND ANNUAL REPORT

LICENSEE Name: _____

JHU Agreement Number: __[***]_____

JHU Reference Number(s) [***]

Reporting Period: From_____ To _____

Please provide the following information in a separate document:

A description of progress by LICENSED PARTIES toward commercialization of LICENSED PRODUCTS, including work completed, key scientific discoveries, summary of work-in-progress, current schedule of anticipated events or MILESTONES, market plans (if any), significant corporate transactions and documents sufficient to evidence each.

A description and documentation of all FDA or other governmental filings and/or approvals regarding any LICENSED PRODUCT or LICENSED RIGHTS.

Certificate of Insurance or other evidence of insurance

_____is attached

Identification of all LICENSED PARTIES (AFFILIATE and SUBLICENSEE):

_____NONE
_____List attached with description of rights exercised.

SUBLICENSE(s) entered during the year:

_____NONE
(copy of each SUBLICENSE attached)

A description of any Material Event (e.g., change of control, name change or other significant change related to this AGREEMENT or LICENSEE:

_____NONE

Details:

SEND DILIGENCE AND ANNUAL REPORT AND QUARTERLY SALES AND ROYALTY REPORT TO:

Via mail or private mail carrier:	**Via email (Preferred):**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

Interested in reporting via our Licensee Reporting Portal? Contact us at [***] to request details about this reporting option.

Exhibit E

REQUIRED INSURANCE COVERAGES

1. **Assumption of Liability.** LICENSEE hereby assumes full liability for any and all lawsuits, claims, demands, judgments, costs, fees (including attorney's fees), expenses, injuries or losses arising from or relating to the LICENSED PRODUCTS.

2. **Insurance.** LICENSEE will obtain and maintain Comprehensive General Liability Insurance with a reputable and financially secure insurance carrier reasonably acceptable to JHU. Prior to initial human testing or FIRST COMMERCIAL SALE of any LICENSED PRODUCT, LICENSEE will obtain and maintain in addition to the Comprehensive General Liability Insurance, Product Liability Insurance with a reputable and financially secure insurance carrier acceptable to JHU, to cover any liability arising from or relating to the LICENSED PRODUCTS. The insurance policy shall provide minimum coverage in the amounts and subject to the provisions below.

3. **General.** LICENSEE shall obtain and maintain, in full force and effect and at LICENSEE's sole cost and expense insurance policies providing:

   a) Commercial general liability insurance (including coverage and any necessary endorsements for products /completed operations as well as for clinical trials if any such trials are to be performed by or on behalf of LICENSEE) which provides, for each annual policy period, coverage of no less than the minimum limits specified below for injury, death and property damage resulting from each occurrence during the policy period; and

   b) If required by law, worker's compensation insurance.

4. **Initial Policy Limits.** The commercial general liability and products liability coverages shall have the following minimum limits:

   a) Commercial general liability: [***]. LICENSEE shall have thirty (30) days following the EXECUTION DATE to obtain such coverage.

   b) Products liability: [***].

   c) JHU may periodically evaluate the adequacy of the minimum coverage of insurance and coverage limits specified in this AGREEMENT. JHU reserves the right to require LICENSEE to reasonably adjust the insurance coverage by modifying the types of required coverages, the limits and/or financial rating and/or the method of financial rating of LICENSEE's insurers as such changes are required of JHU by its insurance carrier. JHU shall provide LICENSEE with reasonable notice, contingent on JHU receiving timely notice from its insurance carrier, of any proposed modification, and, if so requested by LICENSEE, discuss any proposed modifications in good faith.

5. **Policy Requirements.** Each policy of insurance required by this AGREEMENT shall:

   a) be issued by reputable and financially secure insurance carriers having at least an A- rating (A- rating or above by A.M. Best) and an A.M. Best Class Size of at least VIII,

b) list each of JHU, its trustees, officers, employees, faculty, staff, students, agents and their successors, heirs and assigns as additional insureds,

c) be endorsed to provide that the insurer waives all subrogation rights it has or may have against any additional insured, and

d) be primary in respect of all additional insureds.

6. **Evidence of Insurance.** LICENSEE shall provide JHU with a Certificate of Insurance from each such insurer which evidences compliance by LICENSEE with its obligations under this AGREEMENT. Upon the request of JHU, LICENSEE shall provide JHU with a copy of the policy, status of claims and claims history respecting any of the insurance required to be maintained by LICENSEE under this AGREEMENT. Further, LICENSEE will not cancel or fail to renew the identified insurance without giving JHU at least thirty (30) days' prior written notice of such cancellation.

7. **Primary Coverage.** All insurance of LICENSEE will be primary coverage; other insurance of JHU and JHU Indemnities will be excess and noncontributory.

8. **Clarifications.** For the avoidance of doubt, the minimum insurance coverage and limits set forth in this AGREEMENT do not constitute a limitation on LICENSEE's liability or obligations to indemnify or defend JHU and the JHU INDEMNITEES and any other additional insured under this AGREEMENT.

Exhibit F

LICENSED KNOW-HOW

[***]

Exhibit G

LICENSED MATERIALS

[***]

CAPRICOR THERAPEUTICS, INC.

2021 EQUITY INCENTIVE PLAN

Capricor Therapeutics, Inc., a Delaware corporation (the "Company"), sets forth herein the terms of this 2021 Equity Incentive Plan (the "Plan").

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, or Restricted Stock Units.

(d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(g) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or by the Compensation Committee of the Board, in accordance with Section 4 hereof.

(h) "Common Stock" means the common stock of the Company, par value $0.001 per share.

(i) "Company" means Capricor Therapeutics, Inc., a Delaware corporation, or any successor thereto.

(j) "Compensation Committee" means the Compensation Committee appointed by the Board, consisting of two or more members of the Board, each of whom is intended to be (i) a "non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act and (ii) "independent" within the meaning of the rules of The Nasdaq Capital Market.

(k) "Consultant" means any individual, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity. For the avoidance of doubt, the term "Consultant" shall not include any entity or any non-natural person.

(l) "Corporate Transaction" means (i) the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of substantially of all of the assets of the Company to another person or entity, or (iii) any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) which results in any person or entity (other than persons who are shareholders or affiliates immediately prior to the transaction) owning 50% or more the combined voting

power of all classes of stock of the Company. The Administrator shall have discretion as to whether a transactions qualifies as a Corporate Transaction.

Notwithstanding the foregoing, a transaction will not be deemed a Corporate Transaction unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Corporate Transaction if: (i) its sole purpose is to change the state of the Company's incorporation; (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; or (iii) if the transaction is for capital-raising purposes.

(m) "Director" means a member of the Board.

(n) "Disability" means total and permanent disability as defined in Code Section 22(e)(3), provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(o) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(q) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(r) "Fair Market Value" means the closing price of the Common Stock in such exchange or in such market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Common Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Common Stock is not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Common Stock as determined by the Board in good faith.

(s) "Grant Date" means, as determined by the Board or the applicable Committee, the latest to occur of (i) the date as of which the Board or such Committee approves an Option, (ii) the date on which the recipient of an Option first becomes eligible to receive an Option under Section 5 hereof, or (iii) such other date as may be specified by the Board or such Committee.

(t) "Incentive Stock Option" means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Code Section 422 and the regulations promulgated thereunder.

(u) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(v) "Option" means a stock option granted pursuant to the Plan.

(w) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Code Section 424(e).

(x) "Participant" means the holder of an outstanding Award.

(y) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(z) "Plan" means this 2021 Equity Incentive Plan.

(aa) "Restricted Stock" means Shares issued pursuant to an Award of Restricted Stock under Section 8 of this Plan, or issued pursuant to the early exercise of an Option.

(bb) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(cc) "Securities Act" means the Securities Act of 1933, as amended.

(dd) "Service Provider" means an Employee, Director or Consultant.

(ee) "Share" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

(ff) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

(gg) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Code Section 424(f).

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares that may be subject to Awards and sold under the Plan is 3,500,000 Shares. The Shares may be authorized but unissued, or reacquired Common Stock. In addition, Shares may become available for issuance under the Plan pursuant to Section 3(d). The Shares may be authorized but unissued, or reacquired Common Stock. No one Participant may be granted options with respect to more than 1,000,000 Shares in any one calendar year. In addition, no one Participant may be granted Stock Appreciation Rights with respect to more than 1,000,000 Shares in any one calendar year.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock or Restricted Stock Units, is forfeited to or repurchased by the Company due to the failure to vest, the unpurchased Shares (or, for Awards other than Options or Stock Appreciation Rights, the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless this Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units are repurchased by the Company or are forfeited to the Company due to the failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 12, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Code Section 422 and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

(d) Automatic Share Reserve Increase. Subject to the provisions of Section 12 of the Plan, the number of Shares available for issuance under the Plan shall be automatically increased on January 1 of each year, commencing with January 1, 2022, by an amount equal to the lesser of (i) five percent (5%) of the outstanding shares of Common Stock as of the last day of the immediately preceding fiscal year (rounded down to the nearest whole share), or (ii) such number of shares of Common Stock determined by the Compensation Committee in its sole discretion.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which Committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to institute and determine the terms and conditions of an Exchange Program;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Section 17(c) of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(d));

(x) to allow Participants to satisfy withholding tax obligations in a manner prescribed in Section 13;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Options in such amounts as the Administrator, in its sole discretion, will determine.

(b) Option Agreement. Each Award of an Option will be evidenced by an Award Agreement that will specify the exercise price, the term of the Option, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. Notwithstanding such designation, however, to the extent that the aggregate Fair Market Value

of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6 (c), Incentive Stock Options will be taken into account in the order in which they were granted, the Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted, and calculation will be performed in accordance with Code Section 422 and Treasury Regulations promulgated thereunder.

(d) Term of Option. The term of each Option will be stated in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(e) Option Exercise Price and Consideration.

(i) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option will be determined by the Administrator, but will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Employee who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(e)(i), Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Code Section 424(a).

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided further that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise, (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws, or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator will consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(f) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable tax withholding). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within ninety (90) days of termination, or such longer period of time as is specified in the Award Agreement or as determined by the Administrator (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within one (1) year of termination, or such longer period of time as is specified in the Award Agreement or as determined by the Administrator (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent the Option is vested on the date of termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised within one (1) year following the Participant's death, or within such longer period of time as is specified in the Award Agreement or as determined by the Administrator (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of death, by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(v) Early Exercise of Options. The Participant may elect at any time, subject to the provisions of Sections 6(f)(ii), 6(f)(iii), and 6(f)(iv) of the Plan and the terms of any Award Agreement, to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased shall be subject to a repurchase right in favor of the Company or to any other restriction the Board determines to be appropriate.

(vi) Repurchase Limitation. The repurchase price for unvested shares of Common Stock shall be the lower of (i) the Fair Market Value of the shares of Common Stock on the date of repurchase or (ii) their original purchase price. However, if and to the extent that the Company elects to exercise its repurchase right, the Company shall not exercise its repurchase right until at least six (6) months (or such longer or shorter period of time necessary to avoid classification of the Award as a liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to the Award, unless otherwise specifically provided by the Board.

7. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Shares subject to any Award of Stock Appreciation Rights.

(c) Exercise Price and Other Terms. The per Share exercise price for the Shares that will determine the amount of the payment to be received upon exercise of a Stock Appreciation Right as set forth in Section 7(f) will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement.

Notwithstanding the foregoing, the rules of Section 6(d) relating to the maximum term and Section 6(f) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying: (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8 or as the Administrator determines, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

9. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or

individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

10. Compliance With Code Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

11. Limited Transferability of Awards. No Award shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Administrator or, to the extent expressly permitted in the Award Agreement relating to such Award, to the Participant's family members, a trust or entity established by the Participant for estate planning purposes, a charitable organization designated by the Participant or pursuant to a domestic relations order, in each case, without consideration. Except to the extent permitted by the foregoing sentence or the Award Agreement relating to an Award, each Award may be exercised or settled during the Participant's lifetime only by the Participant or the Participant's legal representative or similar person. Except as permitted by the second preceding sentence, no Award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any Award, such Award and all rights thereunder shall immediately become null and void.

12. Adjustments; Dissolution or Liquidation; Corporate Transaction.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Corporate Transaction. Subject to the terms of the applicable Award Agreements, in the event of a Corporate Transaction, the Administrator, as constituted prior to the Corporate Transaction, may, in its discretion:

(i) require that (A) some or all outstanding Awards shall become exercisable in full or in part, either immediately or upon a subsequent termination of employment, and (ii) the Period of Restriction applicable to some or all outstanding Awards shall lapse in full or in part, either immediately or upon a subsequent termination of employment;

(ii) require that shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Corporate Transaction, or a parent corporation thereof, be substituted for some or all of the shares of Common Stock subject to an outstanding Award, with an appropriate and equitable adjustment to such award as determined by the Administrator in accordance with this Section 12; and/or

(iii) require outstanding Awards, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive (A) a cash payment in an amount equal to (I) in the case of an Option or a Stock Appreciation Right, the aggregate number of shares of Common Stock then subject to the portion of such Option or Stock Appreciation Right surrendered, whether or not vested or exercisable, multiplied by the excess, if any, of the Fair Market Value of a share of Common Stock as of the date of the Corporate Transaction, over the purchase price or base price per share of Common Stock subject to such Option or Stock Appreciation Right, and (II) in the case of an Award of Restricted Stock or a Restricted Stock Unit, the number of shares of Common Stock then subject to the portion of such Award surrendered, whether or not vested, multiplied by the Fair Market Value of a share of Common Stock as of the date of the Corporate Transaction; (B) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Corporate Transaction, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (A) above; or (C) a combination of the payment of cash pursuant to clause (A) above and the issuance of shares pursuant to clause (B) above.

The Administrator shall have the power and authority to make such other modifications, adjustments or amendments to outstanding Awards or this Plan as the Administrator deems necessary or appropriate, subject however to the terms set forth above.

Notwithstanding anything in this Section 12(c) to the contrary, if a payment under an Award Agreement is subject to Code Section 409A and if the "Corporate Transaction" definition contained in the Award Agreement does not comply with the definition of "change of control" for purposes of a distribution under Code Section 409A, then any payment of an amount that is otherwise accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Code Section 409A without triggering any penalties applicable under Code Section 409A.

13. Tax Withholding.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

14. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

15. Grant Date. The Grant Date of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the Grant Date.

16. Term of Plan. Subject to Section 20 of the Plan, the Plan will become effective upon its adoption by the Board (the "Effective Date"). Options may be granted under this Plan for ten (10) years following the Effective Date, or such earlier date as this Plan is terminated under Section 17. Notwithstanding the foregoing, each Option granted under the Plan shall remain in effect for the applicable term of the Option until such Option has been satisfied by the issuance of shares or has been terminated in accordance with its terms and the terms of the Plan.

17. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. The Board, in its sole discretion, may submit any other amendment to the Plan for stockholder approval.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

18. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

19. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

20. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws. In the event that this Plan is not approved by the stockholders of the Company, then this Plan and any Awards hereunder shall be void and of no force or effect.

21. Miscellaneous Provisions.

(a) Disclaimer of Rights. Notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Participant, so long as such Participant continues to be a Service Provider. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to any Participant or beneficiary under the terms of the Plan.

(b) Captions. The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

(c) Other Provisions. Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

(d) Number And Gender. With respect to words used in the Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

(e) Severability. If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

(f) Governing Law. The validity and construction of the Plan and the instruments evidencing the Award hereunder shall be governed by the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

CAPRICOR THERAPEUTICS, INC.

2021 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2021 Equity Incentive Plan of Capricor Therapeutics, Inc. (the "**Plan**") shall have the same defined meanings in this Stock Option Agreement (the "**Agreement**").

I. NOTICE OF STOCK OPTION GRANT

Name: _____ ("Participant")

The undersigned Participant has been granted an Option to purchase Common Stock of the Company ("**Shares**"), subject to the terms and conditions of the Plan and this Agreement, as follows:

Grant Date:	[_____]
Vesting Commencement Date:	[_____]
Exercise Price per Share:	[_____]
Total No. of Option Shares Granted:	[_____]
Total Exercise Price:	[_____]
Type of Option:	[ISO/NSO]
Term/Expiration Date	10th Anniversary of the Grant Date

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule:

[Insert vesting schedule for Participant]

The vesting of the Option Shares may be accelerated upon a Corporate Transaction, subject to the sole discretion of the Administrator in accordance with Section 12(c) of the Plan.

[For eligible Participants as determined by Administrator, add: With respect to Participant, for purposes of Section 12(c) of the Plan, a "termination of employment" shall be deemed to include a resignation from employment by Participant for constructive termination. Constructive termination shall mean, without the Participant's express written consent, the occurrence of any of the following: (1) a material reduction in the Participant's base compensation; (2) a material diminution in the Participant's title, authority, duties or responsibilities; (3) the relocation of the Participant's principal place of employment by more than twenty-five (25) miles; or (4) any other action or inaction by the Company that constitutes a material breach of any

employment agreement between the Company and the Participant; provided, however, that the occurrence of any such condition shall not constitute constructive termination unless (i) the Participant provides notice to the Company of the existence of such condition not later than 30 days after the initial existence of such condition, (ii) the Company shall have failed to remedy such condition within 15 days after receipt of such notice and (iii) the Participant resigns from employment not later than 30 days after such 15-day cure period has ended.]

II. AGREEMENT

1. Grant of Option.

Capricor Therapeutics, Inc. (the "**Company**") hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement (the "**Grant Notice**"), an option (the "**Option**") to purchase the number of Shares set forth in the Grant Notice, at the exercise price per Share set forth in the Grant Notice (the "**Exercise Price**"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 17(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Grant Notice as an Incentive Stock Option ("**ISO**"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("**NSO**"). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. Except as otherwise provided in this Agreement, this Option shall be exercisable during its term and prior to the Option Expiration Date stated in the Grant Notice in accordance with the Vesting Schedule set forth therein and with the applicable provisions of the Plan and this Agreement. No fractional shares of Common Stock shall be issued upon conversion of this Option, nor shall the Company be required to pay cash in lieu of fractional interests, it being the intent of the parties that all fractional shares shall be eliminated and that all issuances of Common Stock shall be rounded up to the nearest whole share.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 2, and Section 6(f) of the Plan, this Option may not be exercised unless the Participant, at the time he or she exercises this Option, is, and has been at all times since the Grant Date, a Service Provider to the Company (as defined in the Plan).

(c) Termination Period.

(i) If Participant ceases to be a Service Provider for any reason, then, except as provided in Paragraph (ii) below, the right to exercise this Option shall terminate ninety (90) days after such cessation of services, but in no event after the Option Expiration Date applicable to such Option; provided that this Option shall be exercisable only to the extent that the Participant was entitled to exercise this Option on the date of such cessation (an "**Eligible Participant**").

(ii) If the Participant dies or experiences a Disability prior to the Option Expiration Date while he or she is an Eligible Participant, or if the Participant dies within three (3) months after the Participant ceases to be an Eligible Participant, this Option shall be exercisable, within the period of one (1) year following the date of death or Disability of the Participant (whether or not such exercise occurs before the applicable Expiration Date), by the Participant or by the person to whom this Option is transferred by will or the laws of descent and distribution, provided that this Option shall be exercisable only to the extent that this Option was exercisable by the Participant on the date of his or her death or Disability. Except as otherwise indicated by the context, the term "Participant", as used in this Agreement, shall be deemed to include the estate of the Participant or any person who acquires the right to exercise this Option by bequest or inheritance or otherwise by reason of the death of the Participant.

(d) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice in the form attached as **Exhibit A** (the "**Exercise Notice**") or in a manner and pursuant to such procedures as the Company or any appointed Administrator of the Plan may determine, which shall state the election by Participant to exercise the Option, the number of Shares with respect to which the Option is being exercised, and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding. No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with Applicable Laws. Assuming such compliance, for income tax purposes, the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

(e) Exercise Prior To Vesting. If permitted by the Grant Notice (i.e., the "**Exercise Schedule**" indicates "**Early Exercise Permitted**") and subject to the provisions of this Agreement and the Plan, Participant may elect at any time that is both (i) during a period while he or she is an Eligible Participant and (ii) prior to the Option Expiration Date, to exercise all or part of the Option, including the unvested portion of the Option; provided, however, that:

(i) a partial exercise of the Option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(ii) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to a repurchase right in favor of the Company;

(iii) the repurchase price for unvested shares of Common Stock shall be the lower of (y) the Fair Market Value (as defined below) of the shares of Common Stock on the date of repurchase or (z) their original purchase price. However, if and to the extent that the Company elects to exercise its repurchase right, the Company shall not exercise its repurchase right until at least six (6) months (or such longer or shorter period of time necessary to avoid classification of the Award as a liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to the Option; and

(iv) in no event may a Participant exercise an Option prior to the Company's receipt of stockholder approval of the Plan.

3. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan;

(d) surrender of other Shares already owned by the Participant which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Administrator, shall not result in any adverse accounting consequences to the Company; or

(e) any combination of the aforementioned methods or by any other means deemed acceptable by the Board of Directors.

For purposes of Section 2 and this Section 3, the term "**Fair Market Value**" shall mean the closing price of the Common Stock on an established national stock exchange or on an established securities market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Common Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Common Stock is not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Common Stock as determined by the Board in good faith.

4. Listing, Qualification, Etc. This Option shall be subject to the requirement that if, at any time, counsel to the Company shall determine that the listing, registration or qualification of the Shares subject hereto upon or with any securities exchange or regulatory body, or that the disclosure of non-public information or the satisfaction of any other condition is necessary as a condition of, or in connection with, the issuance or purchase of Shares hereunder, this Option may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval, disclosure or satisfaction of such other condition shall have been effected or obtained on terms acceptable to the Board of Directors (or an opinion of counsel has been obtained that such

registration, qualification, consent, or approval is not necessary). Nothing herein shall be deemed to require the Company to apply for, effect or obtain such listing, registration, qualification, or disclosure, or to satisfy such other condition.

5. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Law.

6. Non-Transferability of Option. Unless determined otherwise by the Administrator, this Option may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, or pursuant to beneficiary designation procedures approved by the Administrator, or to the Participant's family members, a trust or entity established by the Participant for estate planning purposes, a charitable organization designated by the Participant or pursuant to a domestic relations order, in each case, without consideration, and may be exercised, during the lifetime of the Participant, only by the Participant or the Participant's legal representative or similar person. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of this Option, other than in accordance with this Section 6, this Option and all rights thereunder shall immediately become null and void. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

7. Term of Option. This Option may be exercised only within the term set out in the Grant Notice, and may be exercised during such term only in accordance with the Plan and the terms of this Option. This Option may not be exercised prior to the Company's receipt of stockholder approval of the Plan.

8. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company for the satisfaction of all federal, state, local, foreign or other tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Grant Date, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

(c) Code Section 409A. Under Code Section 409A, an Option that was granted with a per Share exercise price that is determined by the Internal Revenue Service (the "**IRS**") to be less than the Fair Market Value of a Share on the date of grant (a "**discount option**") may be considered "deferred compensation." An Option that is a "discount option" may result in (i) income recognition by Participant prior to the exercise of the Option, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The "discount option" may also result in additional state income, penalty and interest tax to the Participant. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the Fair Market Value of a Share on the date of grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the date of grant, Participant shall be solely responsible for Participant's costs related to such a determination.

(d) Corporate Transaction. Notwithstanding anything in Section 9(c) of the Plan to the contrary, if a payment under this Agreement is subject to Code Section 409A and if the "Corporate Transaction" definition contained in the Plan does not comply with the definition of "change of control" for purposes of a distribution under Code Section 409A, then any payment of an amount that is otherwise accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Code Section 409A without triggering any penalties applicable under Code Section 409A.

9. Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Common Stock subject to an Award, notwithstanding the exercise of the Option. The Shares shall be issued to Participant as soon as practicable after the Option is exercised in accordance with this Agreement. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.

10. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Agreement is governed by the internal substantive laws but not the choice of law rules of Delaware.

11. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, ELECTED OR APPOINTED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF ANY CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT	**CAPRICOR THERAPEUTICS, INC.**
_____	_____
Signature	By:
_____	_____
Print Name	Print Name
_____	_____
Residence Address	Title
_____	
City, State, Zip Code	
_____	
Email Address	

EXHIBIT A

2021 EQUITY INCENTIVE PLAN STOCK OPTION AGREEMENT

EXERCISE NOTICE

Capricor Therapeutics, Inc.
8840 Wilshire Blvd., 2nd Floor
Beverly Hills, CA 90211
Attention: Chief Executive Officer

1. Exercise of Option. Effective as of today, _____, 20___, the undersigned ("**Participant**") hereby elects to exercise Participant's option (the "**Option**") to purchase _____ shares of the Common Stock (the "**Shares**") of Capricor Therapeutics, Inc. (the "**Company**") under and pursuant to the 2021 Equity Incentive Plan (the "**Plan**") and the Stock Option Agreement dated _____, 20___ (the "**Agreement**").

2. Delivery of Payment. Participant herewith delivers to the Company the full purchase price of the Shares, as set forth in the Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

3. Representations of Participant. Participant acknowledges that Participant has received, read and understood the Plan and the Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Common Stock subject to an Award, notwithstanding the exercise of the Option. The Shares shall be issued to Participant as soon as practicable after the Option is exercised in accordance with the Agreement. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.

5. Tax Consultation. Participant understands that Participant may suffer adverse tax consequences as a result of Participant's purchase or disposition of the Shares. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the purchase or disposition of the Shares and that Participant is not relying on the Company for any tax advice.

6. Stop-Transfer Orders.

(a) Stop-Transfer Notices. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(b) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

7. Successors and Assigns. The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

8. Interpretation. Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Participant or by the Company forthwith to the Administrator, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

9. Governing Law; Severability. This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of Delaware. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice shall continue in full force and effect.

10. Entire Agreement. The Plan and Agreement are incorporated herein by reference. This Exercise Notice, the Plan, and the Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

Submitted by:	Accepted by:
PARTICIPANT	**CAPRICOR THERAPEUTICS, INC.**
_____	_____
Signature	By:
_____	_____
Print Name	Print Name
_____	_____
Residence Address	Title
_____	_____
City, State, Zip Code	Date Received
_____	
Email Address	

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Linda Marbán, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Capricor Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2021

/s/ Linda Marbán, Ph.D.
Name: Linda Marbán, Ph.D.
Title: Chief Executive Officer and Principal Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Anthony J. Bergmann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Capricor Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2021

/s/ Anthony J. Bergmann
Name: Anthony J. Bergmann
Title: Chief Financial Officer and Principal Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Linda Marbán, Ph.D., the Principal Executive Officer of Capricor Therapeutics, Inc. (the "**Company**"), hereby certifies, to her knowledge, that:

(1) the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2021 (the "**Report**") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Date: August 13, 2021

/s/ Linda Marbán, Ph.D.
Name: Linda Marbán, Ph.D.
Title: Chief Executive Officer and Principal Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Anthony J. Bergmann, the Principal Financial Officer of Capricor Therapeutics, Inc. (the "**Company**"), hereby certifies, to his knowledge, that:

(1) the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2021 (the "**Report**") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Date: August 13, 2021

/s/ Anthony J. Bergmann
Name: Anthony J. Bergmann
Title: Chief Financial Officer and Principal Financial Officer