Capricor Therapeutics, Inc.
8840 Wilshire Boulevard – 2nd floor
Beverly Hills, CA 90211

January 25, 2017

To Our Stakeholders:

With 2017 now well underway, I would like to take a few moments to recap some of Capricor's recent accomplishments as well as to highlight some important milestones that we expect the coming year to hold in store. We continue to make steady progress in the development of our cardiac cell and exosome-based therapeutic candidates, as well as in our overall corporate evolution. Following the addition of several seasoned professionals in the areas of manufacturing and finance, we entered 2017 with a highly capable team.

Last fall, our HOPE and ALLSTAR clinical trials of CAP-1002 (allogeneic cardiosphere-derived cells, or CDCs) completed their respective patient enrollments. These trials are being conducted in two distinct types of heart disease: the randomized Phase I/II HOPE trial is in young people with Duchenne muscular dystrophy (DMD) and whose hearts have been damaged by this genetic disorder, while the randomized, double-blind, placebo-controlled Phase II ALLSTAR trial is being conducted in adults who have experienced a large heart attack and have residual cardiac dysfunction due to the persistent scar that forms at the site of infarct.

Also in 2016, we reported positive one-year results from the DYNAMIC clinical trial of CAP-1002 in advanced heart failure. These data not only indicate the therapeutic potential of CAP-1002 in this poorly-addressed population, but also provide incremental support for the broad regenerative potential of our technology.

We have also made significant recent progress with our CDC exosomes, by virtue of our in-house scientific expertise as well as through our academic collaborations. These exosomes, which are secreted by CDCs but are themselves a cell-free substance, have been shown to be active in a growing number of disease models in which inflammation plays a central role. We anticipate the submission of the first Investigational New Drug (IND) application for CDC exosomes, which we term CAP-2003, in the first half of 2017.

Finally, in 2016 we raised over $14 million in net proceeds from the capital markets and received grant awards totaling approximately $6 million, including a grant from the Department of Defense to fund exosomes manufacturing process development. Cumulatively, we have brought in over $30 million in grant and loan awards and we continue to pursue such non-dilutive funding opportunities at a variety of federal and state levels.

Turning to upcoming events, we look forward to reporting the results of our ongoing HOPE and ALLSTAR clinical trials. We expect the first of these updates to come from our program in DMD, the most common fatal genetic disorder diagnosed during early childhood. The heart disease that results from DMD is believed to be the leading cause of death in those affected. HOPE is a randomized trial, in which 13 boys and young men with DMD-associated cardiomyopathy were given one triple-coronary infusion of CAP-1002, while another 12 are being followed and provided usual care without having received any infusion. Although the primary outcome measure of HOPE is based on the safety and tolerability experience with CAP-1002, the trial also features a variety of exploratory efficacy measures. These relate to physical function, quality-of-life, and disease biomarkers, as well as to the heart itself as assessed by cardiac magnetic resonance imaging (cMRI). We expect to report top-line six-month results from HOPE early in the second quarter of 2017.

As we have previously announced, we are considering plans to expand our clinical development program in DMD to encompass the peripheral and respiratory muscle aspects of the disease, in a trial in which we expect CAP-1002 to be given by systemic intravascular delivery. This initiative is based on preclinical data that show significant improvement in skeletal, including diaphragmatic, muscle with our CDCs.

With 134 subjects enrolled into ALLSTAR, we believe this trial is well-powered to detect a difference in the change in cardiac scar size relative to placebo at 12 months following CAP-1002 infusion, the primary efficacy endpoint. Pursuant to our agreement with Janssen Biotech, we will deliver to Janssen the interim six-month results. Since entering into our relationship with Janssen in early 2014, not only have we advanced our CAP-1002 clinical development, but we have also had a close collaboration with Janssen where we have made progress towards the development of a commercial-ready manufacturing process.

At the recent American Heart Association Annual Meeting, several of us were invited to participate in a day-long symposium focused exclusively on cardiac regenerative medicine. This event was attended by many of the field's luminaries from around the world. It was an extremely informative and educational session at which I was proud to represent Capricor.

I thank you for your trust and support as we at Capricor endeavor to fulfill the promise of our therapeutic platforms for patients, their families, and caregivers.

Sincerely,

Linda Marbán, Ph.D.
Chief Executive Officer

This letter to shareholders contains forward looking statements regarding Capricor's future business plans and strategies, including without limitation: the efficacy, safety, and intended utilization of Capricor's product candidates; the initiation, conduct, size, timing and results of discovery efforts and clinical trials; the pace of enrollment of clinical trials; plans regarding regulatory filings, future research and clinical trials; plans regarding current and future collaborative activities and the ownership of commercial rights; scope, duration, validity and enforceability of intellectual property rights; future payments, expectations with respect to the expected use of proceeds from the recently completed offering and the anticipated effects of the offerings, and any other statements about Capricor's management team's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "could," "anticipates," "expects," "estimates," "should," "target," "will," "would" and similar expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements. More information about these and other risks that may impact Capricor's business are set forth in Capricor's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on March 30, 2016, in its Registration Statement on Form S-3, as filed with the Securities and Exchange Commission on September 28, 2015, and in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on November 14, 2016. All forward-looking statements in this letter are based on information available to Capricor as of the date hereof, and Capricor assumes no obligation to update these forward-looking statements.

CAP-1002 is an Investigational New Drug and is not approved for any indications. Capricor's exosomes technology, including CAP-2003, has not yet been approved for clinical investigation.