

Company: 22ND CENTURY GROUP, INC.
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Moderator: John Brodfuehrer
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Operator: Good day, and welcome to the 22nd Century 4th Quarter 2018 Business Update conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Thomas James. Please go ahead, sir.

Thomas James: Thank you very much. Thank you everyone for joining the call today. My name is Thomas James, the Vice President, General Counsel and Corporate Secretary of 22nd Century Group. And thank you also for listening to the required legal Safe Harbor text that I will now read.

The statements made on today's call that are not based on historical information are forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding our Company's business strategy, future plans and objectives, and future results of operations or that may predict, forecast, indicate or imply future results, performance or achievements.

The words estimate, project, intend, forecast, anticipate, plan, expect, believe, will, will likely, should, may or the negative of such words or words of expressions of similar meanings are all intended to identify forward-looking statements. These forward-looking statements are not guarantees of performance, and all such forward-looking statements involve risks and uncertainties, many of which are beyond our Company's ability to control.

Actual results may differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including, but not limited to, the risk factors disclosed in

our Company's most recent Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the U.S. Securities and Exchange Commission yesterday on March 6, 2019. The Company does not undertake, and it disclaims any obligation to update, any forward-looking statements or to announce revisions to any of the forward-looking statements.

During this call, we will also disclose certain non-GAAP financial measures, including adjusted EBITDA, which we define as earnings before interest, taxes, depreciation and amortization, as adjusted by 22nd Century for certain non-cash and non-operating expenses, as described in our Company's earnings press release for the year ended December 31, 2018, as publicly issued yesterday on March 6, 2019, and which is available on our Company's website.

And with that, I will turn the call over to our Chief Financial Officer, John Brodfuehrer.

John Brodfuehrer: Thank you, Tom. Good afternoon everyone and thank you for participating in the 22nd Century business update call for the year of 2018. For those of you that may be new to the call, my name is John Brodfuehrer, and I am the CFO of 22nd Century Group.

Today's conference will be one hour in duration and will conclude promptly at 5:00 pm. We will take questions at the end of the presentations as time permits. This afternoon, I will provide you with a summary of the Company's financial results for the year ended December 31, 2018.

I will now address some of our financial disclosures for the 2018 year. First, I will discuss our net sales revenues generated from product sales. As reported in our Form 10-K filed with the SEC yesterday and as stated in yesterday's press release, net sales revenue for the year ended December 31, 2018 was \$26,426,000, the highest annual net sales revenue in our history, as compared to net sales revenue for the year ended December 31, 2017 of \$16,600,000.

Accordingly, net sales revenue increased by \$9,826,000, or 59.2%, for the year ended December 31, 2018, as compared to the net sales revenue for the year ended December 31, 2017. The net sales revenue increase is primarily the result of additional net sales revenue generated from our contract manufacturing of cigarettes and filtered cigars during 2018 as compared to 2017.

Next, I will address our gross profit on product sales. Our factory in North Carolina continued to utilize additional production capacity that resulted in the increased net sales revenue as just discussed above. As a result, we generated gross profit on net sales revenue for the year ended December 31, 2018, in the amount of \$899,000.

In comparison, we experienced a gross loss on net sales revenue for the year ended December 31, 2017 in the amount of \$708,000. The positive change from the gross loss to gross profit amounted to \$1,607,000 for the year ended December 31, 2018, as compared to the year ended December 31, 2017, and this improvement is primarily the result of increased factory utilization.

Next, I will discuss our operating expenses. Our net cash operating expenses, that exclude non-cash equity based compensation, amortization and depreciation, for the year ended December 31, 2018 were \$20,388,000, an increase of \$9,685,000, or 90.5%, from net cash operating expenses of \$10,703,000 for the year ended December 31, 2017.

The increase was primarily due to increased expenses attributed to our Modified Risk Tobacco Product application with the FDA for our Brand A Very Low Nicotine Content cigarettes. Our expenses related to the MRTP application amounted to approximately \$9,800,000 for the year ended December 31, 2018.

Next, I will address our net loss. We experienced a net loss for the year ended December 31, 2018 in the amount of \$7,967,000, or a negative \$0.06 per share, as compared to a net loss of

\$13,029,000 for the year ended December 31, 2017, or a negative \$0.13 per share, which is a decrease in our net loss of \$5,062,000, or 38.9%.

The decrease in the net loss of \$5,062,000 was primarily attributable to the aggregate realized gains in the Anandia/Aurora transactions in the amount of \$14,493,000, an unrealized gain on the Aurora stock warrants in the amount of \$284,000, an increase in net interest income of \$1,176,000, and an increase in our gross profit on product sales of \$1,607,000. Those numbers were partially offset by an increase in net cash operating expenses of \$9,685,000, as discussed earlier, an increase in equity based compensation of \$2,246,000, and an increase in depreciation and amortization expense of \$395,000.

The significant gain on the Anandia/Aurora transaction in the amount of \$14,493,000 consistent of the following three items:

1. A realized gain of \$4,516,000 when our equity investment in Anandia was acquired by Aurora Cannabis in the third quarter of 2018. We received 1,947,943 shares of Aurora common stock and a warrant to purchase 973,971 shares of Aurora common stock as a result of the acquisition of Anandia by Aurora.

2. A realized gain of \$3,830,000 on the subsequent sale of the Aurora common stock that we received in the acquisition of Anandia by Aurora, which also occurred in the third quarter of 2018, that generated \$13,052,000 in net cash proceeds for the Company.

3. An unrealized gain in the first quarter of 2018 in the amount of \$6,147,000 under US GAAP accounting rules on our investment in Anandia, which amount became a realized gain upon the acquisition of Anandia by Aurora.

Those three items aggregate to the \$14,493,000 realized gain.

It should be noted that we still own the warrant to purchase 973,971 shares of Aurora common stock that does not expire until August of 2023. The Aurora stock warrant had a value of \$3,092,000 at December 31, 2018 and we recorded an unrealized gain on the adjustment to fair value in the amount of \$284,000 for the year ended December 31, 2018. At future quarter and year-end dates, and if the warrant is still owned by us at that time, we will record the fair value of the warrant and any unrealized gain or loss will be included in net income or loss for that quarter or year-end.

Next, I will address our adjusted EBITDA. Our adjusted EBITDA, a non-GAAP financial metric previously defined by Tom James in his opening statement, for the year ended December 31, 2018 was a negative \$19,489,000, or a negative \$0.16 per share, as compared to a negative \$11,411,000, or negative \$0.11 per share, for the year ended December 31, 2017, which is an increase in the negative adjusted EBITDA of approximately \$8,078,000, or 70.8%. This increase is primarily the result of the previously discussed increase in our net cash operating expenses of \$9,685,000, as partially offset by an improvement in our gross profit on product sales of \$1,607,000.

Finally, I will discuss the cash position of the Company at December 31, 2018. We continue to be in a strong cash position with cash, cash equivalents and short-term investment securities totaling \$56.4 million at December 31, 2018, an amount we believe will be adequate to cover normal monthly operating expenses of approximately \$850,000 and meet all current obligations as they come do for a number of years. In addition, we expect to incur an estimated amount of approximately \$1.5 million in additional expenses relating to our Modified Risk Tobacco Product application with the FDA by the end of the second quarter of 2019.

That concludes my remarks. Thank you for your time, consideration and continued interest in 22nd Century Group. I will now turn the remainder of this conference call over to our President

and CEO, Henry Sicignano, who will provide you with a business review and update. Thank you very much.

Henry Sicignano: Thanks, John. Good afternoon and thank you, again, to our conference call participants for joining us. Today, I have a host of important issues to discuss. In brief, I will

1. discuss Dr. Scott Gottlieb's recently announced decision to resign as Commissioner of the FDA and what his departure may mean to 22nd Century shareholders,
2. I will talk a bit about the FDA's plan to dramatically reduce the nicotine content of all cigarettes sold in the United States,
3. provide an update on 22nd Century's Modified Risk Tobacco Product application and its progress at the FDA, and
4. perhaps most significantly, I will talk about 22nd Century's hemp/cannabis research initiatives and strategic vision.

At the end of our time together, I will also briefly touch on the wholly frivolous class action lawsuits that have been filed against our Company in recent weeks.

First things first. As you likely know, this week we learned that Dr. Scott Gottlieb has decided to resign as Commissioner of the FDA. This is unfortunate.

Dr. Gottlieb has moved the ball forward on a number of important FDA initiatives, including speeding the approval process for important new drugs, addressing the opioid epidemic, questioning the place for flavors in e-cigarettes, and, of course, in advancing the FDA's broad nicotine reduction plans across a host of tobacco products.

We appreciate the work Dr. Gottlieb has done and we will miss him as Commissioner of the FDA. However, it is important to point out that 22nd Century's Modified Risk Tobacco Product, or MRTP, application is under review at the FDA Center for Tobacco Products, also known as the CTP, not the FDA at large. Accordingly, Mitch Zeller, Director at the FDA's Center for Tobacco Products, is actually the one who is overseeing our MRTP application. It is also important to realize that the FDA's Center for Tobacco Products is the division of the FDA that is advancing the Agency's plan to limit nicotine in all cigarettes sold in the US to minimally or non-addictive levels.

With respect to this larger planned national nicotine reduction mandate, Dr. Gottlieb was a terrific champion. He was not, however, the beginning or the end of the FDA's nicotine reduction movement. Actually, the FDA began to collaborate on 22nd Century's SPECTRUM® research cigarette initiative in 2011, which was six years before Dr. Gottlieb arrived on the scene.

The FDA and various agencies of the U.S. federal government spent many tens of millions of dollars on independent research with Very Low Nicotine Content cigarettes long before Dr. Gottlieb made his historic 2017 announcement that all cigarettes in the United States should contain drastically lower levels of nicotine.

Indeed, there were many at the FDA who were working on the very low nicotine initiative long before Dr. Gottlieb came into office, and there are many more who will continue to work on the nicotine reduction plan after Dr. Gottlieb leaves the FDA.

That said, in a March 5, 2019 New York Times article, Dr. Gottlieb indicated that he actually plans to advance the FDA's pending tobacco regulations before he leaves.

And indeed, I am quite sure that the FDA itself is absolutely committed to enacting its new rule to require that all cigarettes sold in the U.S. contain only minimally or non-addictive levels of nicotine in order to assist the more than 30 million Americans smokers who are addicted to conventional cigarettes and the more than 2,000 youth under the age of 18 across the United States who smoke their first addictive cigarette each and every day.

Of course, the FDA's efforts to limit nicotine in all cigarettes are complemented by 22nd Century's Modified Risk Tobacco Product, or MRTP, initiative. In December, our Company submitted a Pre-Market Tobacco, or PMT, application and an MRTP application to the FDA's Center for Tobacco Products for our Company's proprietary Very Low Nicotine Content cigarettes.

With these applications, 22nd Century is seeking the FDA's authorization to commercialize our Company's Very Low Nicotine Content cigarettes under the proposed brand name "VLN™" and to advertise to consumers that VLN™ cigarettes contain 95% less nicotine as compared to the 100 leading cigarette brands in the United States.

Since the beginning of this year, 22nd Century regulatory specialists and scientists have been in virtually constant communication with FDA regulators charged with reviewing our Company's PMT and MRTP applications. In fact, in the last two months, we have had more than 20 conversations with the FDA on matters relating to our MRTP application. We believe this is a very positive sign.

While our PMT and MRTP efforts are independent of the FDA's planned new rule to limit the nicotine in all cigarettes to minimally or non-addictive levels, we view the two initiatives as complimentary and wholly reinforcing. Our Very Low Nicotine Content tobacco is the foundation of our VLN™ cigarettes and, at the same time, our Very Low Nicotine Content tobacco makes possible the FDA's planned nicotine reduction rule. It is precisely because of this connection that

we continue to believe that the FDA and public health will benefit from the approval of 22nd Century's PMT and MRTP submissions.

In this way, the FDA will have a commercial, Very Low Nicotine Content cigarette on the market to prove the feasibility of the Agency's nicotine reduction plan and to generate real world consumer data in support of the FDA's proposed new rule to reduce nicotine in all cigarettes sold in the United States. And, of course, having potentially the world's only approved MRTP product will greatly enhance 22nd Century's commercialization efforts and will pave the way for lucrative third-party licensing opportunities.

All of that said, and as important as our tobacco initiatives are for the Company and for our shareholders, our strategic initiatives in hemp and cannabis - together with significant recent legislative changes - have combined to give our biotechnology efforts a massive boost in the emerging hemp/cannabis industry.

At the conclusion of 2018, more than half of U.S. states had approved the sale and use of medical cannabis, with another 10 states allowing adult, recreational consumption. Even more importantly, in an effort led by U.S. Senate Majority Leader Mitch McConnell, the U.S. federal government enacted the 2018 Farm Bill, including an important provision to legalize hemp, which is defined as the cannabis plant containing not more than 0.3% THC.

The enactment of this new federal law has accelerated hemp/cannabis biotechnology developments and spurred a slew of multimillion dollar investments in hemp/cannabis production and extraction. 22nd Century is well positioned to take advantage of the opportunities represented by these changes in the federal law.

Our Company's foundation and hemp/cannabis research is already well established. In 2014, a wholly-owned subsidiary of 22nd Century entered into a worldwide license agreement with

Anandia Laboratories in Canada through which our Company was granted an exclusive sublicense in the United States and a co-exclusive sublicense in the remainder of the world, excluding Canada, to patents and patent applications relating to the hemp/cannabis plant that are required for the production of cannabinoids, the major active ingredients in the hemp/cannabis plant.

It is important to note that these incredibly valuable licenses survive the Aurora Cannabis acquisition of Anandia. What's more, our subsequent investments in research with Anandia generated important new cannabis strains, including one with zero THC.

Besides Anandia, 22nd Century is entering the third year of a research agreement with the University of Virginia to optimize our Company's proprietary hemp plants for growth in the historical tobacco belt states in the southern part of the United States. Further, we already possess a valuable New York State hemp research licensed for our research laboratory in New York.

Utilizing our proprietary technology, 22nd Century's primary mission in hemp/cannabis is to develop proprietary hemp/cannabis plant lines for important new medicines and robust agricultural crops in order to improve the health and lives of people around the world.

Going forward, I am pleased to announce, 22nd Century will substantially increase the Company's investment in the development of hemp/cannabis intellectual property.

While our Company's molecular biotechnology laboratory is an important component in achieving our mission of creating new varieties of hemp/cannabis, our strategy also includes assembling an entire network of accomplished hemp and cannabis researchers, partner companies and universities.

In addition to our existing research relationships, we are currently in negotiations to enter into several new strategic alliances. 22nd Century is forming a vertically integrated hemp and cannabis nexus that combines research, production, and extraction.

In combining our technology with the assets and abilities of our strategic partners, 22nd Century will have access to advanced gene editing techniques, valuable hemp/cannabis germplasm, extensive growing facilities, dozens of experienced hemp and cannabis scientists and much more.

The foundation of any biotechnology effort is the acquisition of genetic material. To this end, we have already developed or acquired exclusive rights to dozens of unique and proprietary varieties of hemp and cannabis plants, each with valuable agronomic traits and/or exceptional cannabinoid profiles.

Though we are continually adding to our genetic library, we already have an incredible inventory of genetic variability - literally the building blocks for dozens of new, improved plant varieties. Our library of hemp/cannabis germplasm is unique and of crucial importance to our research objectives. It sets us apart as a major player in the hemp/cannabis biotechnology field.

Using genome sequences from the hemp/cannabis varieties to which we have developed and/or acquired exclusive rights, we are working to identify genes responsible for regulating cannabinoid biosynthesis, drought tolerance, disease resistance, increased flower production, increased cannabinoid production, and overall plant growth and yields.

Currently, in our own labs, 22nd Century is working to reproduce cannabinoid biosynthesis independent of the hemp/cannabis plant. In this way, we hope to develop hemp plants that yield single, high value cannabinoids instead of the cocktail of cannabinoids produced by conventional

hemp/cannabis plants. A single cannabinoid plant that produces high levels of a rare cannabinoid would be a boon for our own extraction activities and for third-party extractors.

Each project that we initiate is expected to lead to valuable intellectual property and products. All of our hemp and cannabis research must support our mission to develop new varieties of hemp and cannabis plants to improve the health and lives of people around the world. As we assemble hemp/cannabis strategic partnerships, as we develop new biotechnology methods for manipulation of plant genes, and as we create new hemp/cannabis varieties to improve lives, we will simultaneously enhance shareholder value.

Although we do not intend to enter the complex regulatory arena of marketing hemp/cannabis-based consumer goods, we do plan to become a source of highly coveted hemp/cannabis genetics, plant varieties, and high-value extracted cannabinoids.

Now, after a discussion of such positive, meaningful progress that the Company has made over the last year, I am obliged to say a few words about the wholly frivolous class action lawsuits that have been filed against the Company and certain of its executive officers in recent weeks that alleged violations of federal security laws.

We believe that any claims alleging violations of security laws by the company and its executive officers are without merit and we intend to vigorously defend our position. As you likely know, the lawsuits appear to be based on information taken from Seeking Alpha “short” articles by Fuzzy Panda Research, which were written by authors who were admittedly “short” in 22nd Century’s stock.

As you realize, this means that the authors had an economic motive to suggest improper action by 22nd Century. The lawsuits repeatedly refer to these articles without any apparent effort to determine whether the statements in the articles are accurate.

For example, the lawsuits include an incomplete photocopy of an SEC Response Letter to a Freedom of Information Act request that misleads an uninformed reader to incorrectly believe that 22nd Century is under some sort of SEC enforcement action.

Let me state, unequivocally: 22nd Century has not received any notice of, and the Company has no knowledge of, any enforcement proceeding against 22nd Century by the SEC or by any other regulator.

Simply put, 22nd Century believes the statements and the charges and such class action lawsuits are, like the misleading “short” articles, incorrect and meritless, and the Company intends to vigorously defend against these lawsuit claims.

But in spite of these legal issues, our Company is in a terrific place.

Our SPECTRUM® research cigarettes make possible the FDA's proposed plan to limit nicotine in all cigarettes sold in the United States to minimally or non-addictive levels.

The next step in the FDA's plan is to issue a Notice of Proposed Rulemaking, or NPRM. In this notice, the FDA will spell out the proposed product specifications and the details for how the Agency will implement its new nicotine reduction rule. The FDA has publicly indicated that the NPRM should be expected this year.

Following the NPRM, including a public comment period, the FDA should thereafter move forward with a final rule and a time schedule for the implementation of the new rule. We believe the FDA is moving at a steady, deliberate pace in this initiative.

That said, a much sooner opportunity for 22nd Century comes in the form of our Company's MRTP application for our VLN™ cigarettes. With 95% less nicotine than contained in conventional cigarettes, our Company's proprietary VLN™ cigarettes are modelled after the lowest nicotine content style of our SPECTRUM® cigarettes.

Our recently accepted-for-review MRTP application relies on numerous independent clinical studies funded by more than \$125 million from U.S. federal government agencies on our SPECTRUM® research cigarettes, which are the same scientific studies that the FDA itself references in conjunction with its proposed new nicotine reduction rule.

The review process by the FDA for our PMT and MRTP applications is already well underway. We are encouraged by the FDA's prompt attention to our applications and we look forward to the approval and to the launch of what may very well be the world's first Modified Risk Tobacco Product.

Finally, intense demand from consumers combined with the legalization victories have resulted in a number of companies playing catch up with massive multiyear speculative investments in cannabis. In contrast, 22nd Century has been building on a foundation in hemp/cannabis research and unique plant development for several years through our partnerships with Anandia Labs, the University of Virginia, the work done in our Company's own labs, and the work done with other strategic partners.

We are assembling an extraordinary hemp/cannabis germplasm library of unique plants, a talented team of experienced researchers, and a number of strategic corporate partners to accelerate further development of our hemp and cannabis biotechnology.

Now is clearly the time to capitalize on opportunities in hemp/cannabis. As we strive to improve the health and lives of people everywhere with our hemp/cannabis technology, 22nd Century intends to deliver very substantial value in this area for our shareholders.

With so many momentous events converging for the Company, we are incredibly excited for the future and we are eager to share more good news with you in the coming weeks and months.

Thank you so much for joining us today and for your continued interest in 22nd Century. At this time, I will open up the call to your questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please signal by pressing star 1 on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

Again, press star 1 to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions.

Henry Sicignano: Operator, are we ready?

Operator: Yes. We will take our first question from Jim McIlree with Chardan.

Jim McIlree: Yes. Thank you, and good afternoon Henry, Tom and John. Can I start with expenses?

So, last year expenses were \$25 million, give or take, but this year you are not going to have the \$10 million or so of the FDA application and expenses, but it sounds like you are going to ramp up in the hemp area.

Can you just kind of help me understand how much you are going to spend on hemp and if there is anything else out there that would soak up the savings from the \$10 million of the FDA applications expenses that are going away?

John Brodfuehrer: Hi Jim, this is John. First of all, in 2018, we had nearly \$10 million spent on our MRTP application, which accounts for most of the difference between 2018 and 2017 expenses. We cannot really comment at this time on the quantity or the amount of expenses that will spend in the hemp/cannabis area.

Henry Sicignano: It will be significantly less than the \$10 million, Jim.

John Brodfuehrer: Yes. So, you are right on the \$10 million difference between the two years.

Jim McIlree: And are there any other initiatives that would require a meaningful amount of expenses in 2019?

John Brodfuehrer: Yes. As we said, Jim, there could be a small amount. We anticipate approximately \$1.5 million of additional expenses on our MRTP application. And at this point, we really cannot comment on any other significant additional expenses.

Jim McIlree: Okay. Let's see. Henry, I do not want you to -- I do not expect you to be able to comment in detail about what you can do with the FDA as far as the NPRM goes. But, can you talk about what it is you will do to help move the process along with the MRTP and the PMT?

And, it sounds like when you are looking at this year, your priorities are building out the hemp franchise and then advancing the MRTP and the PMT. Is there anything else that is a top priority for you that you control? So, again, excluding the FDA schedule on the NPRM.

Henry Sicignano: Well, those are in fact the top priorities. In terms of pushing the MRTP along, the best thing that we can do is to answer all the FDA's questions on a timely basis. And having had more than 20 conversations with the FDA in the last 60 days, we think that has given us an opportunity that we did not have in prior years; we have really appreciated that dialogue with the FDA.

So we think that is our biggest area of leverage in terms of pushing the application forward. We do not believe that we will have any additional science to provide the FDA. So, really we are just answering questions... and we have some addendums that we are working on that we will be submitting. But everything seems to be on pace and is actually going more smoothly and more quickly than we had anticipated.

In terms of hemp and cannabis research, you know, we anticipate making investments this year and some of those investments might be multiyear investments. So... I guess... stay tuned.

I hope that we will have some interesting news in the coming weeks on some of those points. I cannot say much more than that. But we are pretty excited about the opportunities that we have been working on.

Jim McIlree: And as far as the decision-making for the MRTP, the FDA, you indicated is engaging with you now about your application. Is there -- I guess, does that imply anything about the likelihood of acceptance or is it more of they are going to get all of their information and then give you the thumbs up, thumbs down, whatever, three months, six months, nine months from now?

Henry Sicignano: Yes, all I can say Jim, is that we think it is a very good sign. When we submitted our preliminary application in 2015, we had very sparse dialogue with the FDA. We had a meeting early on in the process, and then we did not hear again from the Agency for nearly a year. This time around, again, we have had more than 20 conversations in 60 days. I think that speaks for itself.

Jim McIlree: Okay. Okay. Okay, very good. And then my last one on the revenue. Is there anything about the \$26 million or so in revenue generated this year that would - that was onetime-ish in nature or that has a feature to it that would suggest that you cannot do the same thing this year?

Henry Sicignano: No, we expect to do at least that much. So, as long as we were not to lose any contracts and if we were to gain additional business, we would expect that number to grow.

Jim McIlree: Yes, yes, of course. Okay, great. Thanks a lot. Good luck with everything.

Henry Sicignano: Thanks, Jim.

Operator: Thank you. We will take our next question from Greg Etimos.

Greg Etimos: Hi. Yes, thank you for taking my call here. If you could just walk us through maybe your business plans, God forbid the MRTP timeline or the mandate events, kind of drags out longer than expected halfway through 2020.

As the dates go on, maybe we have a pretty large cash burn and with further expenses coming up possibly on the hemp side. You know, I think day by day maybe even our patented technology could be less valuable at the negotiating table with any type of other company. Can you explain - give us some advice on that?

Henry Sicignano: Well, I think you should cheer up. I think things look a lot better than you have implied. By my math, with regular operating expenses, we have about four years' worth of cash... more than four years' worth of cash in the bank. So that is good news.

There are some outstanding warrants that must only be exercised for cash that will bring in -- at the \$2.15 exercise price -- \$23 million or \$24 million in additional cash that will further supplement our four years of current cash. So, I think in terms of cash, we are in great shape and I am very pleased that we were able to raise the money we did a year and a half ago. So that is all good news.

In terms of the calendar, as I just mentioned, when I was talking with Jim McIlree, I think the MRTP is going more smoothly and more quickly than we ever imagined it could, given our experience in 2015. So, we are very excited about the process. I cannot guarantee or predict the timeline, but I think it is going really, really smoothly and much more rapidly than we expected.

In terms of the national mandate, this is something that we certainly have no effect on or influence over. But Dr. Gottlieb, as I mentioned earlier, in a *Wall Street Journal* interview in the Fall said that he had planned for the NPRM to be issued in 2018, I believe. In December of 2018, he issued new guidance and said he expected the rule to be published this year, I think was the quote.

So, I do not know if he meant 2019 or if he meant 2018. If he meant 2018, then I guess FDA missed. If he meant 2019, well then that is pretty exciting news that the rule would be coming out sometime this year. I hope that is helpful. I think we are in a good place with cash. MRTP is going very well and I think the national mandate remains on track.

Greg Etimos: Okay. Thank you for that. Lastly, just on the hemp side, you know, cannabis side of our business here. You know, pretty much just about anything related to cannabis or hemp, CBD or anything recently has just been booming.

Now I understand our philosophy a little bit on not PRing everything as you do choose to really PR most of the important things that you tend to release to shareholders here.

But, it kind of feels as though many shareholders and then also investing groups that I am sure are listening to this as well, we feel that we are mainly left to our own devices by doing our own due diligence and finding patents that are awarded to the Company that are not PRed and we have to do some extreme digging.

Now, we are back to share price of levels prior to time in 2017 when Gottlieb even started talking about the mandate. I mean, I understand share prices, you do not want to artificially pump up, but we certainly are undervalued now.

Do you feel that you should maybe move a little bit stronger towards releasing some news on the hemp side to provide some investor confidence or even some information that would attract new investors? Because we do have great technology and it seems like moving forward there is a lot of opportunity for our business to be able to provide some significant new revenue streams.

I just feel that there are a lot of potential investors out there that do not know this and do not know anything about 22nd Century due to the lack of media exposure. And do you plan to change that, whether it is to possibly try to get on new media outlets, whether in CNBC, or anything that can get our name out there? What do you feel about that?

Henry Sicignano: Yes, those are all good points. And let me try to answer them as directly as I can. We are very careful. You are exactly right, we are very careful about what we press release because we do not want to provide a roadmap to our competitors of exactly what we are attempting to do in either cannabis or in tobacco.

We feel that we have a tremendous competitive advantage in terms of very low nicotine tobacco. I am going to tell you squarely, definitively, that we believe we are the only company in the world that can grow tobacco with 95% less nicotine. Full stop.

So, that is really important to realize. Of course, Big Tobacco companies have been working on this kind of technology. We are aware of the fact that some of them might be able to grow “low” nicotine tobacco. But there is a world of difference between low nicotine tobacco, which has 20% or 30% less nicotine and tobacco that is VERYlow nicotine at the levels of 95% less nicotine and below, which make them minimally or non-addictive levels of nicotine.

So that is the reason why we are not out there press releasing all of our tobacco patents in particular. But maybe even more so with cannabis, which is such a rapidly developing industry. We are out right now competing behind the scenes with scientific labs that want to work with us and not with our competitors. And so we are being very cautious about press releasing names or specifics of any of these folks.

That said, especially some of our investments that will be material, they will be 8-K'ed and you are going to learn about them. So, I guess I would keep your eyes open for those. And as we are able to describe the projects that we are working on, then we will certainly do that broadly.

We would like to keep our shareholders informed and that is the whole point of today's discussion and of the press releases we do issue. But understand, we have some folks who are litigating against us saying that we quote “pump up” the Company and quote “puff” our achievements. And then we have got folks like you who are asking us to pump up our achievements and brag a little bit on CNBC.

So, at the end of the day, we are very proud of what we do achieve. We are never going to exaggerate our accomplishments or the technology that we have. So that is the fine line we need to walk. But we do not have a bunch of time, so I should move on to our next caller.

Thank you very much. Your questions were very good ones.

Greg Etimos: Appreciate it.

Henry Sicignano: Take care. Thanks.

Operator: Thank you. We'll take our next question from Joe.

Joe: Yes, thank you. This has been very informative, Henry, Tom and John. And my son and I are private investors in the Company. We are very excited about everything, of course, you spoke about here today and then all that we have read prior. And I appreciate all the comments you just made from the previous question about being very careful about what you say. It makes perfect sense.

The concern I have is that the bad press that comes out with the Business Wire about the frivolous lawsuit statements and actually asking for people to contact that they are almost soliciting people to jump into this fray. And from a comment back from the Company that you will fight back and vigorously defend yourself, I am sure that is going to happen behind the scenes and in ways that you need to do it.

But statements that could in some way shape or make a way to leave potential investors or existing investors a bit more comfortable with the fact that this is all nonsense. And I do not see much of that coming out.

Henry Sicignano: Well, I said what I could say about pending litigation today on our conference call. But I would strongly encourage you to look at pages 31 and 32 on our Form 10-K for extensive detail there about these lawsuits, including the names of the folks who filed them and including the number of shares that they hold. And I think that information speaks volumes.

You know, I think there were just a couple of shareholders there and off the top of my head I think they own fewer than 4,000 shares. I do not know, what more can I say? That should speak for itself. You can read about those cases on page 31 and page 32 of the Form 10-K.

Joe: Yes, and I appreciate that and I will certainly look at that too to get to the detail that you are saying. I guess, I was more speaking about these blast statements that come out on Business Wire and such, and perhaps it is just not a good practice for you to respond to in any way, shape or form, which I guess in some ways it makes sense.

But I guess I suspect it would feel so much better to hear something coming out to say these are frivolous and at least in some way, shape or form to offset some of the bad press that it sends.

Henry Sicignano: Yes. Well, you are exactly right. And I have tried to use that word frivolous at least twice, maybe three times in my talk. And I do not exactly understand how these lawyers work, but obviously, we have seen some of those lawyers - I think what they are doing is they are trolling for clients.

To the best of my knowledge, there have been only four suits filed. And I know there are far more lawyers that are looking for plaintiffs on the Internet than the four suits that have been filed. So, it looks to me like those are hungry lawyers looking for clients.

Joe: Yes. I do not doubt that at all. I appreciate the comments. Thank you for taking my question.

Henry Sicignano: Thank you very much, sir.

Operator: Thank you. We'll take our next question from Robert Branciforte with Morgan Stanley.

Robert Branciforte: Thanks. Thanks for taking my question. I hate to beat a dead horse with the litigation stuff and it is frivolous, it is obvious, and we all know the type of lawyers that are getting involved in that. But, rather than just playing defense on this, which is costly in terms of my money, you know, our money and human capital, the reputational damage that it does and the share price destruction to certain extent that it has caused, I think what is wrong with filing a counter claim for damages against these sleazebag lawyers?

I mean, we will play a little offense. And most companies do not do that and maybe you do not want to get involved in that, but this is ridiculous. I mean, generally you see one or two law firms, but I think I have seen four, five, six – it is just the jumping on the bandwagon. So that is one thing.

Very quickly on the cannabinoid situation, the strategic partnership, corporate partners, you are probably not in a position to name who those corporate partners may be. But, with Canada producing so many start up companies doing this and the other thing, I mean, are companies like Canopy and some of the other major companies, would they be potential strategic partners?

Henry Sicignano: I am going to ask Tom to address the lawsuit question and he might as well talk a little bit about your hemp questions.

Thomas James: Sure. Robert, this is Tom James, General Counsel. As you rightly point out, we cannot when in the midst of litigation discuss details, but we are investigating all options and we are not afraid of pursuing all options.

We are not going to sit back idly by. As Henry said, we feel that lawsuits are without merit. They are frivolous and we intend to defend them vigorously. What other options we may take? You will have to wait and see, but again that is the most that we can say at this time.

In cannabis we cannot, as you might imagine, mention strategic partners that we are in discussions with, but nobody is off the table. We feel that we have great advantages. We are not just a grower. We are a producer of unique plants that we will also grow and also extract cannabinoids from.

You know, the germplasm that we have is very valuable and we are very careful about who we affiliate with. So, we have talked to a lot of people internationally/globally, not just Canada... and we will announce them appropriately when the time is right.

So that is the best we can say at this point in time, and I hope that is comforting to you.

Robert Branciforte: Yes. Thanks guys. Keep up the good work. I appreciate it.

Henry Sicignano: Thanks very much.

Operator: Thank you. We will take our next question from Paul, a private investor.

Paul: Yes. Sir, thank you very much for taking my call. My question has to do with the competitive situation in your hemp business. You have got many times as I have pointed out that you have - I believe you have only zero or close to zero nicotine tobacco. But are there other companies that actually can safely make hemp that has zero THC or what is the competitive landscape in that part of your business?

Thomas James: So, Paul, this is Tom James. I will answer that question. In the year 2017, two years ago, we decided to go after the low to no-THC hemp plant because, at that time, the 2014 Farm Bill did not allow for federal crop insurance to hemp farmers. So, if their hemp crop grew above the legal THC limit for hemp, then we called it growing "hot" and the farmer would have to destroy

his entire crop. And so that was a problem at that time. So, we came out with the zero-THC hemp plant as a solution to that issue.

The 2018 Farm Bill clears up that problem by allowing for federal crop insurance for hemp farmers. So, a zero-THC hemp plant is interesting as we say in our Form 10-K, but it is not dispositive. There needs to be other agronomic traits of a robust cannabinoid profile or higher yield, things of that nature, that make agronomic sense in addition to low to no-THC in the plant.

So, there are other people that would like to say that they have also come out with a zero-THC hemp plant too and, again, that is scientifically interesting, but it is two years behind us and if they would like to try and get plants with rare cannabinoids, then they are again behind us. And so there are people that are going to come out and claim a whole lot of things, but we know the unique hemp plants that we have and we have publicly stated what we have.

And we will continue to say, when appropriate, the things that we achieve, not beforehand, because as Henry said, we do not want to give a roadmap to our competitors as to where we are going. We will publicly state it after we have achieved where we intend to be. So, you can take comfort in that.

Paul: So, is it safe to say that there is a fair number of potential competitors and you have got a couple of years of head start for a competitive advantage, but this is really a race in its early days on the hemp side.

Thomas James: Yes. Do not take the zero-THC plant as being competitive by itself. We are in a race for the best plants and zero-THC is an interesting scientific plant, but again after the 2018 Farm Bill, it is in need of other valuable agronomic qualities. And we think we are substantially ahead of a number of players that are involved in the field.

And when we are ready to publicly announce something, then we will let people know why we feel that way.

Paul: All right, well thank you. I certainly feel that my question has been answered and thank you for taking it.

Henry Sicignano: Thank you. We started about five minutes late, so we are going to hold the call open for about five minutes after the hour and I apologize to those of you who will not get through. I see that there are quite a line of callers waiting, but we will go as quickly as we can to see if we can answer a few more questions.

Operator: Thank you. We'll take our next question from Brian.

Brian: Yes, thank you guys. Most of my questions have been answered. I just wanted to - I think John may have commented on his initial remarks, but how much spend is left with the FDA on the MRTP? Is it 90% where we are? I guess how much are we looking at in the future, whether it be this year or kind of finish the quarter?

Henry Sicignano: By current projections, we think 90% is about right. There is probably less than \$2 million left. Now, the only caveat is if the FDA came up with some new thing that they might ask us to do and then we would have to create a new budget for whatever that new project might be.

But at this point we do not expect any new science or any new projects or any new studies to have to be done. So, all we need to do is pay the bills for the remaining projects that we are just tying up now.

Brian: Perfect. The balance sheet is in amazing shape looks like a growth company that has been making money for years. You guys are way ahead of the game on that. And congrats on the balance sheet position.

Henry Sicignano: Thank you very much.

Thomas James: Thank you.

Operator: Thank you. We will take our next question from Frank Goldberg.

Frank Goldberg: Hi. Thank you for taking my question. I noticed of course that yesterday or so that the value of the stock went down a tremendous amount. I read that it was because of the resignation of the FDA Chairman, I guess. Is that your opinion or what was the main reason for such a high volume and such a tremendous drop in the stock?

Henry Sicignano: I think you are right. I think that bit of news probably sparked some selling and then I think there are some folks who sold our stock who used that bit of news to scare investors who did not realize that actually the FDA's Center of Tobacco Products is the part of the agency that is reading our Modified Risk Tobacco Product application. And that, in fact, the nicotine reduction mandate is also under the FDA's Center for Tobacco Products.

So, I think you are exactly right. I think that announcement is what sparked people's - I don't know what the word is - sparked people's concern. And then I think you have folks out there fed on that concern because the short sellers had a bet that gave them economic incentive to drive the price of our stock down.

Frank Goldberg: I mean, I was watching it. It was down 16 cents with about a half hour to go before closing. And the next thing I saw it was down 50 cents. And actually it was down as much as 80

cents and came back a little bit. And of course it came back today, but it went down a little bit today because the market went down. But I was shocked. I mean, I had never seen a percentage like that. I mean, it must have shocked you too.

Henry Sicignano: Yes, of course it did. And all we can do is keep doing the best job that we can here. And at the end of the day, I think we are going to look back and see this as a blip. I do not know if you were a shareholder in 2011 when our stock went from something like 70 cents to 15 cents in one day. And, you know, then a lot of people threw in the towel.

But I do know, all those folks who bought the stock at 15 cents or 16 cents are quite pleased today.

Frank Goldberg: Yes. I noticed one thing, and then I will let you go to someone else if you have time, that there is an ETF that carries a lot of your shares. I think you should have advertised that in some way. I think it is the harvest something fund that has a big share the shares of your company. I think that is a good thing. What do you think about that?

Henry Sicignano: Well, I think sure. I think it is a good thing when any holder amasses a large position, especially if it is for the long-term. I think that is a good thing. I am not sure the appropriateness of promoting that fact, but we do notice those disclosures when they are made. And I agree with you, I think it is a positive development.

Frank Goldberg: Okay. Thank you so much for your call and good luck with the future.

Henry Sicignano: Thank you sir. Appreciate it. I think this will be our last question.

Operator: Thank you.

Henry Sicignano: This is the last one.

Operator: We will take our next question from Jim Skelton.

Jim Skelton: Yes, gentlemen thank you for taking the call. I will be brief here. There is one significant product which I have not seen mentioned in the last year and that is at one point you were talking about putting out a smoking cessation kit that would include the VLN cigarettes along with, I suppose, other devices to help people get off the cigarettes. Can you tell me where we stand with that?

Henry Sicignano: Yes, sir. That was actually my favorite project and that is actually the project that encouraged me, personally, to invest in 22nd Century in 2010. I was very excited about that project and we championed it for several years. But why we have not been as active with that product since July of 2017 is because the national nicotine reduction mandate would essentially make that product obsolete... in the United States at least.

The national nicotine mandate would require that every single cigarettes sold in the U.S. would contain 95% less nicotine than a conventional cigarette. And X-22, our smoking cessation product in development, was exactly that. It was a cigarette designed to be sold through prescription from your doctor, with a 95% less nicotine content.

So, I guess if the national nicotine mandate were ever to be put on pause, then we would immediately pick up the prescription smoking cessation product avenue. But, right now, we believe that the bigger opportunity and the most important opportunity for public health is to make all cigarettes in the United States non-addictive.

Jim Skelton: I could not agree with you more. Yes, it is. So that is sort of dead in the water and it is unnecessary. If we can just get the VLN™ brand out there and start marketing that product, then

people can do their own smoking cessation, such as myself. I have been a 50 year smoker and suffered tremendous health disabilities because of that.

Thank you very much for your time and let us just look onward and upward.

Henry Sicignano: Thank you very much, sir. Thank you. We appreciate your support.

Operator: Thank you.

Henry Sicignano: Okay, so I think we are going to wrap up the call now. I appreciate everyone's participation and I apologize that we were not able to answer everyone's questions, but we will certainly have another call in a couple of months and we will take questions again at that time.

Operator: Thank you. Ladies and gentlemen, this concludes today's teleconference. You may now disconnect.