

**Company:** 22ND CENTURY GROUP, INC.  
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Operator: Good day and welcome to the 22nd Century Second Quarter 2017 Business Update conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Tom James, General Counsel of the Company. Tom, please go ahead.

Tom James: Thank you very much. Thank you to everyone for joining the call today and I appreciate you bearing with me as I read the required legal disclosure and safe harbor text.

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, business 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 likely, should, may or the negative of such word or words or expressions of similar meanings, are all intended to identify forward-looking statements.

These forward-looking statements are not guarantees of future 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 as filed with the

Securities Exchange Commission on March 8, 2017. 22nd Century 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 conference call, we will also disclose certain non-GAAP financial measures, including adjusted EBITDA, which we defined 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 quarter ended June 30, 2017, as publicly issued yesterday on August 9, 2017, and which is also available on our Company's web site. And with that, I will turn it over to our Chief Financial Officer, John Brodfuehrer.

John Brodfuehrer: Thank you Tom. Good afternoon and thank you for calling into 22nd Century's Second Quarter 2017 conference call. This afternoon I will provide you with a summary of the Company's financial results for the second quarter of 2017 and year-to-date results through June 30, 2017.

First, we will talk about net sales revenue. As mentioned in yesterday's press release, net sales revenues for the second quarter of 2017 were approximately \$3.9 million, representing a 38.7% increase over net sales revenues of approximately \$2.83 million for the second quarter of 2016. This increase is primarily due to net sales revenue from a new contract manufacturing job that commenced in mid-May 2017, and the \$3.9 million in net sales revenue for the second quarter of 2017 is the highest in the Company's history for any one quarterly reporting period.

Net sales revenues for the six months ended June 30, 2017 were approximately \$6.13 million, an increase of \$282,000, or 4.8%, over our net sales revenues of approximately \$5.85 million for the six months ended June 30, 2016.

Next, we will talk about our gross loss on product sales. Our gross loss on product sales for the three months ended June 30, 2017 was \$165,000 as compared to a gross loss of \$141,000 for the three months ended June 30, 2016, an increase of \$23,000. The gross loss for the three months ended June 30, 2017 included additional production labor costs in anticipation of the new manufacturing contract mentioned above and an increase in our inventory reserve of \$95,000.

Our gross loss on product sales for the six months ended June 30, 2017 was \$439,000 as compared to a gross loss of \$17,000 for the six months ended June 30 of 2016, an increase of \$422,000. This increase in gross loss is primarily attributable to the additional costs associated with the new manufacturing contract mentioned above, the \$95,000 increase in our inventory reserve as also mentioned above, and the decrease in gross profit realized on the sale of SPECTRUM research cigarettes as there were no sales of SPECTRUM research cigarettes during the three or six months ended June 30, 2017 as compared to prior sales of SPECTRUM during the first quarter of 2016. Of course, this does not reflect the new purchase order of 2.4 million SPECTRUM research cigarettes that we received at the end of the second quarter of 2017 as stated in our press releases.

With respect to our operating expenses, our net cash operating expenses, excluding non-cash equity-based compensation, amortization and depreciation, increased during the three months ended June 30 2017 by \$469,000, or 20.7%, from \$2,263,000 for the second quarter of 2016 to \$2,732,000 for the second quarter of 2017. This increase in our net cash operating expenses during the three months ended June 30, 2017 consisted primarily of an increase in research and development expenses related to sponsored research and modified risk product costs and a net increase in general administrative expenses during the second quarter of 2017 as compared to the second quarter of 2016.

Our net cash operating expenses, again excluding non-cash equity-based compensation, amortization and depreciation, decreased during the six months ended June 30, 2017 by

\$96,000, or 1.9%, from \$5,126,000 for the six months ended June 30, 2016 as compared to \$5,030,000 for the six months ended June 30, 2017. This decrease in our net cash operating expenses during the six-months ended June 30, 2017 consisted primarily of a decrease in expenses relating to our advertising and promotional efforts offset by an increase in R&D expenses as mentioned above.

With respect to our net loss for the quarter, our net loss for the three months ended June 30, 2017 was \$3,356,000, or (\$0.04) per share, as compared to a net loss of \$2,902,000, or (\$0.04) per share, for the three months ended June 30, 2016, an increase in the net loss of \$454,000, or 15.6%. This increase in the net loss was primarily the result of an increase in operating expenses of \$427,000 and an increase in our gross loss on product sales of \$24,000.

Our net loss for the six months ended June 30, 2017 was \$5,977,000, or (\$0.07) per share, as compared to a net loss of \$6,155,000, or (\$0.08) per share, for the six months ended June 30, 2016, a decrease in the net loss of \$170,000, or 2.9%. The decrease in the net loss was primarily the result of a decrease in operating expenses of \$229,000 and an increase in other income (expense) of \$371,000, partially offset by an increase in our gross loss on product sales of \$422,000.

Next I will talk about our Adjusted EBITDA. Our Adjusted EBITDA, a non-GAAP financial metric that was previously defined by Tom James, for the three months ended June 30, 2017 was a negative \$2,897,000, or (\$0.03) per share, as compared to a negative \$2,404,000, or (\$0.03) per share, for the three months ended June 30, 2016, an increase in the negative Adjusted EBITDA of \$493,000.

For the six-month ended June 30, 2017, our Adjusted EBITDA was a negative \$5,469,000, or (\$0.06) per share, as compared to a negative \$5,144,000, or (\$0.07) per share, for the six months ended June 30, 2016, an increase in the negative Adjusted EBITDA of \$325,000.

Our cash reported on our consolidated balance sheet at June 30, 2017 was approximately \$12,483,000. In July and August of 2017, we received additional cash proceeds of approximately \$6,168,000 from the exercise of warrants for cash. As such, our current cash balance is approximately \$17.8 million, the highest in the Company's history. We believe this cash amount will be adequate to meet all regular operating expenses of approximately \$850,000 per month and satisfy all the current obligations as they come due through at least March of 2019.

That concludes my remarks. Thank you for your time, consideration and continued interest in 22nd Century. I will now turn the remainder of the 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: Thank you, John. Good afternoon and thank you everyone for joining us today. I guess I will start the call by apologizing for the delay in starting, but it looks like we have a record number of participants joining us today. I see 483 participants on the line, so a big thank you to everyone with interest in hearing from the Company today.

As you may have heard, July 28th was an extraordinary day for 22nd Century. Two Fridays ago, the FDA announced what the *Washington Post* has now called "the most important public health initiative of the century." The FDA's plan to lower nicotine in cigarettes to non-addictive levels is a huge paradigm shift for the tobacco industry. In his remarks on the Agency's new plan, FDA Commissioner Dr. Scott Gottlieb identified nicotine as the "key" to solving smoking addiction. Dr. Gottlieb explained that "nicotine lives at the core of both the problem and, ultimately, the solution to the question of addiction..."

FDA Commissioner Dr. Gottlieb further stated that "as a physician who cared for hospitalized cancer patients and as a cancer survivor myself, I saw first-hand the impact of tobacco. And I

know all too well that it's cigarettes that are the primary cause of tobacco-related disease and death. What's now clear is that FDA is at a unique moment in history, with profound new tools to address this devastating impact. Addressing the addiction crises that are claiming young lives and hurting American families is our most pressing mandate at FDA. In particular, examining the presence of nicotine in combustible cigarettes has to be part of a much broader strategy. I've pledged a deep commitment to taking aggressive steps to address the epidemic of addiction to opioids. I view our opportunity to confront addiction to nicotine with the same obligation. I'll pursue efforts to reduce addiction to nicotine with the same vigor."

We at 22nd Century agree wholeheartedly with Dr. Gottlieb. And, indeed, 22nd Century is the only company in the world capable of growing tobacco with non-addictive levels of nicotine. Today, I will begin my remarks by taking a few minutes to discuss the FDA's plan to mandate non-addictive levels of nicotine in cigarettes and the wide-reaching implications of this extraordinary new policy initiative as it relates to 22nd Century.

First, some history. In 2011, our Company began making *SPECTRUM* research cigarettes for the U.S. government. The *SPECTRUM* project was a collaboration between 22nd Century and independent researchers and officials from the National Institute on Drug Abuse, the FDA, the National Cancer Institute and the CDC. Since launching the *SPECTRUM* project, we have received orders for more than 24 million research cigarettes. The FDA, NIDA and NIH together have funded dozens of studies using our *SPECTRUM* cigarettes. To date, these agencies have spent well over \$100 Million on independent studies using our proprietary Very Low Nicotine cigarettes.

In 2013, in a closed-door meeting with the FDA, we learned that the Agency was keenly interested in exploring what a Very Low Nicotine mandate would look like in the United States. Also in 2013, the FDA purchased \$225,000 of 22nd Century's Very Low Nicotine fine cut tobacco.

It seems clear that, especially in retrospect, for years the FDA has been methodically investigating the public health benefits of implementing a Very Low Nicotine mandate.

An important take-away from all of this is that following the FDA's ground-breaking announcement to dramatically lower nicotine in cigarettes to non-addictive levels, 22nd Century stands in the enviable position of being the leader behind the product that, according to Matthew Myers of the Campaign for Tobacco Free Kids, could lead to "the most fundamental change the tobacco industry has ever seen."

Our Company's technology can be called nothing less than absolutely disruptive. Game changing. It makes possible the most important public health policy change in generations. Underlining the massive potential of Very Low Nicotine cigarettes, in the *New England Journal of Medicine*, Drs. Michael Fiore and Timothy Baker wrote, "Reducing the nicotine content of combustible tobacco to levels that will not sustain dependence seems to us to be the most promising regulatory policy option for preventing 20 million premature deaths."

Such a massive paradigm shift has shaken the stodgy tobacco industry to its core. Since the FDA's announcement, "Big Tobacco" has lost more than \$30 Billion in market cap. That's Billion with a "B." And yet, our scrappy little Company's market cap -- even though we are currently the only company in the world capable of achieving the FDA's important new nicotine standards -- has increased by less than \$100 Million.

This tremendous delta -- the difference between \$30 Billion in lost value by the Big Tobacco companies as compared to 22nd Century's very modest market cap -- represents an unparalleled opportunity for our Company and for our shareholders. Today we are far, far below most people's radar. Though there are 483 people on the call today, 99% of U.S. investors have never even heard of 22nd Century. Well, fellow shareholders, I assure you that is about to change.

Our technology -- the ability to grow the world's lowest nicotine tobacco -- is robust. It is proven. And, it is well-protected by our extensive patent portfolio. Today, we have a number of Very Low Nicotine tobacco varieties that are ready for commercial production or are in the final stages of development. We are the undisputed world-leader in the development of Very Low Nicotine tobacco. We expect to play a very important industry role as FDA moves through the upcoming rule-making process.

We look forward to a not-distant future where our Very Low Nicotine tobaccos will be in every cigarette manufactured, marketed and sold in the United States. Though Big Tobacco companies may have the technology to "chemically strip" nicotine out of conventional tobacco leaves, this process produces many problems.

First, and perhaps most importantly, chemically extracting nicotine results in tobacco that simply tastes horrible. As an example, in the late 1980's, Phillip Morris invested some \$250 Million on a manufacturing facility designed to chemically strip the nicotine out of out of tobacco in order to launch its "NEXT" cigarette brand. The product was widely regarded as a commercial failure and was summarily taken off the market.

In comparison, 22nd Century's Very Low Nicotine cigarettes taste and smell just like conventional cigarettes. We use no artificial extraction process. Our tobacco varieties are simply grown by independent farmers in the field -- where they naturally yield Very Low Nicotine levels. But not only was the artificial nicotine extraction method used by Phillip Morris unable to produce a product acceptable to consumers, the process proved tremendously expensive.

Last year, Philip Morris International's director of product policy, Rolf Lutz, publicly estimated it would cost \$10 Billion to \$12 Billion to extract nicotine from the cigarettes it sells in the European Union alone. At the same time, Lutz spoke about the possibility that PMI could attempt to

genetically modify tobacco plants to yield lower nicotine levels, but Lutz said the process would take PMI about 20 years!

Indeed, it may take Phillip Morris 20 years, but 22nd Century already has the required technology. We have Very Low Nicotine tobacco plants now. Today! I repeat, 22nd Century is the only company in the world capable of growing tobacco with non-addictive levels of nicotine. As a result of the FDA's newly announced intent to regulate nicotine industry-wide, 22nd Century now has a very real possibility of being a required part of the content of literally every single cigarette sold in the United States. It is hard to over-estimate the enormity of the opportunity before us. These are very exciting times for our Company and for our shareholders.

As a result of the rapidly moving landscape on nicotine regulation, there are some questions that seem to come up repeatedly.....questions that I want to address now. First, as you know, four years ago, we entered into a research license agreement with British American Tobacco. Pursuant to our agreement, BAT must decide by October 1st of this year to exercise its option to commercialize products based on our technology. While I will not pretend to know what BAT will do in the next two months, I can tell you that, in any case, 22nd Century is poised to prosper. If BAT continues with 22nd Century, our Company will become the recipient of significant annual royalty payments from the world's second largest, publicly-traded tobacco company.

Even more importantly, the BAT agreement leaves us free to use our technology and to sell our proprietary products -- finished Very Low Nicotine cigarettes or fine cut Very Low Nicotine leaf -- to whomever we wish. On the other hand, if BAT ends the agreement, we will be subsequently free to license our technology to any or all tobacco companies anywhere in the world.

Another often asked question is "Are U.S. consumers ready for a Very Low Nicotine cigarette mandate?" This is an excellent question and one that has an answer that I know will please 22nd Century shareholders. Earlier this year, prior to the FDA's announcement of its lower nicotine

mandate, 22nd Century commissioned the well-respected Harris Poll company to conduct a survey of more than 2,000 U.S. adults -- 60% of whom identified themselves as current or former smokers. The survey showed that 68% of adults agree that the U.S. government should mandate very low or non-addictive levels of nicotine in cigarettes! Such strong consumer advocacy suggests the FDA will enjoy broad public support for its new, comprehensive nicotine reduction plan.

Another common question raised with regard to Very Low Nicotine cigarettes is the issue of smoker compensation. Those unfamiliar with the vast body of science surrounding our proprietary Very Low Nicotine cigarettes are tempted to wrongly assert "if you lower the nicotine smokers will simply smoke more." This phenomenon is called "compensatory smoking" and it might be true for cigarettes with 10% or 20% or even 30% less nicotine. But the facts are very different for Very Low Nicotine cigarettes -- which are those with 95% less nicotine.

In fact, authors of a landmark clinical study published in the October 2015 issue of the *New England Journal of Medicine* found that 22nd Century's proprietary Very Low Nicotine cigarettes were "associated with reductions in smoking, nicotine exposure and nicotine dependence...with minimal evidence of nicotine withdrawal, compensatory smoking or serious adverse events."

I have also been asked many times, "How soon will the FDA actually enact a final nicotine mandate?" The law requires a period of public comment, but given FDA Commissioner Gottlieb's declaration that "the comprehensive framework for nicotine regulation I have laid out here is an FDA-wide imperative," I think we are looking at an aggressive implementation timeline for the new FDA mandate. Toward this end, we expect there to be many important milestones and announcements on the FDA's plan over the course of the next 12 months. We are thrilled with this timeline, believe me. And so are many others across the United States.

A recent opinion piece by the *Washington Post* Editorial Board, which called the FDA's proposed rule "...one of the most important public health initiatives of the century," concluded with the following: "The sooner the FDA makes good on its long-term vision – low-nicotine cigarettes along with a well-regulated e-cigarette industry – the better. Congress gave the agency wide authority over tobacco products nearly a decade ago. The FDA should move with determination now." At 22nd Century, we strongly support a fast-moving regulatory rule-making process.

Things are happening so quickly, it has been difficult to keep abreast of all of the good news! As we announced just yesterday, several other countries have recently begun exploring their own nicotine reduction plans. Last week, independent of the FDA's action, public health experts in New Zealand published a plan recommending a drastic reduction of nicotine in tobacco products within five years. Canada and Finland have also recently announced that they are investigating regulating nicotine in tobacco products and, according to *Bloomberg News*, officials in the U.K.'s Department of Health are said to have already discussed the U.S. nicotine proposal with FDA representatives.

In the face of all this very encouraging activity, we are working to shape implementation, in the U.S. and around the world, of what is now a universally-viable tobacco control policy to mandate non-addictive levels of nicotine in combustible cigarettes.

At the same time, we are pushing forward with our BRAND A Very Low Nicotine Modified Risk Tobacco Product candidate. Just two weeks ago, we received the FDA's written comments regarding our June meeting with the FDA to discuss our MRTP application for BRAND A. Using these comments, we are revising our submission to the FDA for BRAND A. There is still much work to do, but we are extremely optimistic that the FDA mandate to limit all cigarettes to Very Low Nicotine levels will mean that BRAND A will enjoy a timely review process with the FDA.

Our separate efforts to form a joint venture partnership to advance our X-22 smoking cessation aid and to fund Phase III clinical trials are also on-going. Again, given the FDA's announcement on limiting nicotine, we believe that connecting with a motivated X-22 partner, particularly an international partner, is now much closer than ever before.

Though we realize that the FDA lower nicotine mandate could ultimately preclude the possibility of 22nd Century launching BRAND B, which is our other MRTTP candidate in development in the United States, we continue to believe that in other countries around the world BRAND B could substantially lower smokers' exposure to smoke and tar. As a relatively high nicotine cigarette, BRAND B is designed to deliver much lower amounts of smoke per unit of nicotine. It is, at its core, the world's lowest tar-to-nicotine ratio cigarette. For countries not yet willing or able to mandate lower nicotine levels, BRAND B is potentially a powerful option for those smokers who accept the risks of smoking and who insist on continuing to smoke.

What's more, our high nicotine tobacco itself likely has new and rapidly growing market opportunities for heat-not-burn devices. The heat-not-burn devices championed by Big Tobacco companies all work by vaporizing tobacco. In other words, they heat the tobacco but stop just short of actually burning it. As compared to combustible cigarettes, the heat-not-burn products are less efficient at delivering nicotine to smokers. Because of this fact, heat-not-burn products may greatly benefit from 22nd Century's proprietary high nicotine tobacco.

In the midst of all of the excitement in tobacco, it should be noted that 22nd Century is continuing to make substantial progress with industrial hemp as well. This summer, New York State enacted an important new industrial hemp law. Joining just a handful of other states, New York is now legalizing research and commercialization of industrial hemp for universities and private companies. As a result of this new legislation, we have applied for a license to grow industrial hemp in our Buffalo, New York laboratories. And, very soon, our labs and our R&D partners will begin conducting accelerated research initiatives on our zero-THC industrial hemp.

This is very exciting news for our Company -- news that we expect will lead to a much quicker road to market for our zero-THC industrial hemp plants. Of course, we are also working on hemp plants with high levels of medically important cannabinoids.

In sum, it has been an amazing quarter for 22nd Century! Nearly everything has changed since the last time we spoke, and it is all great news for shareholders! Through all of these changes, 22nd Century has remained firmly committed to our important mission: to reduce the harm caused by smoking. We know that our Company and our shareholders will do incredibly well by doing good.

With countries all over the world now looking to reduce the nicotine content of combustible cigarettes to non-addictive levels, we are thrilled with the global opportunity to play such a key role in this very important public health initiative. Join with me as 22nd Century embarks on a quest to revolutionize the combustible cigarette and, in so doing, to reap the rewards of successfully disrupting the entire tobacco industry.

Thank you for joining us today and for your continued interest and investments in our extraordinary Company. At this time, I will open up the call to questions.

Operator: Thank you. At this time, if you would like to ask a question, please press Star and 1 on your touch-tone phone. You may withdraw your question at any time by pressing the pound key. So, once again, to ask a question, please press Star 1 on your touch-tone phone. And we can take our first question from Jim McIlree. Please go ahead.

Jim McIlree: Thank you and good evening Henry, Tom and John.

Henry Sicignano: Hi Jim.

Jim McIlree: Hey, I think you have answered much of what I am going to ask, but I just want to get some detail on it. So, the FDA timeline -- it sounds like you are saying it is about 12 months. I am curious, one... if that is what you are thinking and then... secondly, do you think that the FDA is going to require further studies in order to finalize their rule or do you think that they have enough to go on in order to make a final rule?

Henry Sicignano: Okay well first, Jim, I did not say that we believe that the approval of the new mandate will be 12 months. It will probably be more like two years. But we think an awful lot is going to happen in the next 12 months. And we are convinced that there is more than enough science. There is a huge body of evidence supporting the efficacy and the reduced harm of Very Low Nicotine products relative to conventional cigarettes.

But you probably remember that there is a pivotal Phase 3 trial that was completed in March. I think it was entitled Strategies for Reducing Nicotine Content in Cigarettes. That study, with 1,250 patients, is comparing a gradual reduction in nicotine levels versus an immediate reduction to Very Low Nicotine levels. We know that study finished in March. FDA funded the study.

It would be my bet that FDA already has the results of the study and that might have been part of the impetus behind the important new FDA announcement of July 28th. But that will certainly be an important thing for the public to hear about and to learn when that peer-reviewed study is released in the coming months. But, again, we expect a lot to happen in terms of public opinion and in terms of seeking public and expert opinion about Very Low Nicotine cigarettes in the next say... three to six months... and for essentially a timetable to be created in the next 12 months. Is that helpful?

Jim McIlree: Yes, that is very helpful. And, so it seems like it is reasonable to think that as the FDA process goes forward, Big Tobacco starts looking out at what their options are. And, clearly, you are one of them, but it seems like that is the real key for you is those kinds of discussions.

Henry Sicignano: Yes, we are sure that they have already begun that process, Jim.

Jim McIlree: And then you also talk a little bit about what you are going to do with the BRAND A and BRAND B processes or petitions that you have underway with the FDA. Have you decided for sure what you are going to do or are you simply keeping your options open?

Henry Sicignano: We will for sure move forward with BRAND A... aggressively... we will resubmit a new MRTTP application in 2018. BRAND B will be on hold in terms of where the United States is concerned, but we plan to continue to develop that product for international markets.

Jim McIlree: All right. So, you have decided to put it on hold in the U.S.?

Henry Sicignano: In the U.S. for now.

Jim McIlree: Okay great. And you mentioned, I think, New Zealand, Canada and Finland as potentially following the U.S. or leading the U.S. in low nicotine mandates. Is that the totality of the countries you are aware of that are looking at mandating low nicotine?

Henry Sicignano: We are aware of the U.K. too. And I think there are others. Frankly, the WHO report in 2015 recommended that all 180 WHO-member countries adopt a mandate that all combustible cigarettes be non-addictive with non-addictive levels of nicotine. So, we think there are, frankly, dozens of other countries that are considering the policy.

Jim McIlree: And just my final question -- given the higher level of attention that is now being focused on your technology, can you talk about any actions that you are taking or that you will require in order to make sure that your intellectual property is protected and secure?

Henry Sicignano: Tom's here. Tom, why don't you address that?

Tom James: Yes, Jim. The simple and straightforward answer there is everything is fully protected. We are in good -- we are in excellent shape.

Henry Sicignano: And we are continuing to reinvest there too, Jim. I mean, we filed a couple of new provisional patents last month. So, we are continuing to reinvest and to work on plant variety protection and next-generation technologies, so we believe that we are completely protected and we are continuing to invest even now.

Jim McIlree: Got it, very exciting times guys. Thanks a lot. I appreciate it.

Henry Sicignano: Thanks Jim.

Operator: Okay, and we will take our next question from Nick O'Shea. Nick, please go ahead.

Nick O'Shea: Hey, I apologize. I just want to say fantastic earnings report and a very brief question that might be a little bit foolish. But, in regards to the hemp industry, was there any particular plan that you anticipated to kind of not necessarily reinvent but, you know, basically are you entering it just as a regular hemp industry or are you looking to implement certain things in line with your cigarette?

Tom James: Nick, this is Tom James, General Counsel of the Company. Our hemp activity, for those who do not know, we spent years culling through the industry to find out the most important

agronomic traits that they desire. And what we heard was that when hemp has a THC level above the legal limit, which we call growing "hot," it has to be destroyed by the farmers and they can get no crop insurance. It is a total loss. So, we developed a plant -- within one year -- that has guaranteed zero-THC. So, we will now bolt on additional agronomic traits, such as high-yield, drought tolerance -- all these things -- to make a superior plant for the industry and then bring that out -- all within the federal and state laws.

As a public company, we cannot and will not touch anything where there is a conflict with the federal law. However, being able to optimize industrial hemp for the industry -- as well as Henry said producing the higher medical cannabinoids for extraction -- these are unique plants that nobody else will be able to develop and we look forward to being the provider of active pharmaceutical ingredients extracted from those plants, as well as providing the unique agronomic traits for the industry.

Operator: And we can take our next question from Vic Topper. Vic, please go ahead.

Vic Topper: Hey guys. Good afternoon. Exciting times for sure. I am relatively new to your story and I understand you have a relationship with British American Tobacco. My question is do you have relationships with other Big Tobacco companies? And, second part of the question is since the FDA has made their big announcement on July 28<sup>th</sup>, has your phone rang at all or are you getting any increased conversations between any of the, you know, potential participants? Thank you.

Henry Sicignano: So... without disclosing non-public information... we can just say that we have ongoing relationships with our competitors and even a project or two underway. I will leave it at that.

Vic Topper: Okay, no problem. Thank you.

Operator: Okay and we can take our next question from Chris Milde. And Chris, please go ahead.

Chris Milde: Hey, good afternoon gentlemen.

Henry Sicignano: Good afternoon.

Chris Milde: Just one simple question is we know FDA has been, you know, a big focus for a lot of people. Actually, the actual focus should be more on the international where we do not have all of the stipulations and guidelines that we have to comply with on FDA. Do you agree?

Henry Sicignano: Well that is a good point and I guess regulations differ from country to country. But even though FDA does not regulate international sales, there are a whole web of rules and laws that do. One example is that in the European Union, when we launched a Very Low Nicotine cigarette called Magic in Spain a few years ago, European Union regulations **required** that tobacco companies print the nicotine content on the side of their packs. And, actually, the European Union required that we round down our nicotine content. So, we were printing 0.0 milligrams of nicotine on the side of our packs. But then, 12 months later, EU regulations changed and it is now prohibited. You are now no longer allowed to disclose nicotine content on a pack of cigarettes in the European Union. So, that is just one example. But, I guess what is key for our Company is being able to communicate to the consumer what makes our product different and important.

And in any markets where we are able to communicate that we have Very Low Nicotine tobacco, with 95% less nicotine than a conventional cigarette, we think we have an outstanding chance to capture substantial market share.

Chris Milde: Ok, thanks.

Operator: And we can go ahead and take our next question from Joe Reda. Joe, please go ahead. Your line is open.

Joe Reda: Hey guys, congratulations on the attention you are getting -- well-deserved.

Henry Sicignano: Thanks.

Joe Reda: So a quick question guys, you know, Big Tobacco has been spending billions of dollars on heat-not-burn technology. Wondering if you can explain how your technology might play a role in that if it gets hot?

Henry Sicignano: Okay, that is a great question. I just touched on it very briefly in my prior remarks, but the gist is heat-not-burn technology uses traditional tobacco. And rather than burning it and producing tar and smoke, the device is heated and there is essentially a vapor produced, which is less harmful, theoretically, than tobacco smoke.

The problem with those devices is that the nicotine delivery is very inefficient. And so oftentimes from country to country those products fail because consumers would prefer to smoke a combustible cigarette. So, it is our understanding, and we have gleaned our understanding from our Big Tobacco colleagues, that our very high nicotine tobacco could actually make those products more feasible because if you put a higher nicotine tobacco in the device, then the less efficient nicotine transfer rate of the device does not matter as much.

So, the idea behind high nicotine tobacco is not to deliver to the consumer more nicotine. It is simply to deliver the nicotine more efficiently so that an acceptable average amount of nicotine is inhaled. That was a great question and it underlines how important our technology is for this brand new category of products that the major tobacco companies are spending literally billions of dollars developing.

Joe Reda: Great, sounds like you have got both sides of the equation covered. Appreciate your hard work, Henry.

Henry Sicignano: Thank you.

Operator: To ask a question, it is Star and 1. And to remove yourself from the queue, it is the pound key. And we can take our next question from Robert Bransiforte. Robert, please go ahead.

Robert Bransiforte: Hey, Henry. We spoke about a month ago. I have been a shareholder since April 2016, so I have been pretty patient and it is starting to pay off. Thank you.

Henry Sicignano: Thank you for calling.

Robert Bransiforte: Thank you for your hard work again.

Henry Sicignano: Thank you.

Robert Bransiforte: I just wanted a little color if you could about the exclusive licensing agreement with BAT. I had forgotten some of the details, but is it a worldwide agreement? How limiting is it to you? What is the total upside including milestones? And, based on that answer, which I think is going to be let us call it relatively insignificant, could you partner with another company to take out BAT at more favorable terms to 22nd Century?

Henry Sicignano: Okay, that is a loaded question. There are lots of parts to that and we can spend an hour on that, but I will try to summarize at a very high level. We have had a four-year research license agreement with BAT, which expires in October -- this October. And that agreement

basically has given BAT the right to do research with much of our IP. They have an option up until October that allows them to commercialize products based on our technology.

That is a co-exclusive license and it is worldwide. However, there is a carve out and the carve out is that 22nd Century, at all times, may sell its own products, with our own products being defined as everything from our finished cigarettes all the way to our proprietary Very Low Nicotine tobacco leaf. We may sell our finished cigarettes to anybody we choose and we may sell our Very Low Nicotine fine cut tobacco to anyone we choose. Those are our proprietary products.

So, that is how the agreement works. How much is the deal with BAT worth? I guess that would be a complicated formula with net present values and everything else. But at some point when the agreement gets going, we are receiving royalty payments of up to \$25 million a year. And then after a few years of commercialization, if BAT does in fact decide to commercialize, the agreement changes in that at that point either BAT or 22nd Century may sublicense to any other tobacco company in the world.

And, essentially, we are partners with BAT at that point because we share all sublicensing revenues 50%-50%. So, that is kind of nice that our tiny little micro-cap company will be a 50%-50% partner with the second largest tobacco company in the world. So, basically, it is all good news. Everything about that deal is good for you and good for me as shareholders of the Company.

Robert Bransiforte: Okay. I just want to make sure if all goes well that we are able to benefit from your technology. And it sounds like no matter what they do in exercising their option, you still have the right, we would still have the right as a company, to sell product, finish product or leaf product without violating the terms of that agreement?

Henry Sicignano: That is exactly right. That is exactly right.

Robert Bransiforte: Okay, well then, all right. So, I feel a lot better than about that. So, I mean, there could only be upside then with them exercising their option. And I would imagine with the latest news, it is, you know, it is a fait accompli.

Henry Sicignano: I would tend to agree with you.

Robert Bransiforte: Okay. All right, thanks a lot. I know you have got a full plate. Thanks for taking the time this afternoon and keep up the good work.

Henry Sicignano: Thank you so much. We appreciate you being a shareholder.

Robert Bransiforte: Okay.

Henry Sicignano: Okay we can take our next question from Marion Green. Please go ahead.

Marion Green: Oh, hi Henry. Thank you so much for doing everything you said you would do and more. I have a question for you.

Henry Sicignano: Sure.

Marion Green: Nothing was mentioned about GMOs plus the new filter that you have initiated. Now how would that be affected with the BAT agreement?

Henry Sicignano: Well, the filter is completely outside the BAT agreement. And that is very complicated as well. We do have an extraordinary filter that we have licensed and intend to use internationally. We have no current plans to market cigarettes in the U.S. with that filter, frankly

because it is just a complicated process to introduce a new tobacco product into the U.S. market. But BAT has nothing to do with that cigarette component.

And the other part of your question was about GMO. We have developed, again outside of the agreement with BAT, as we very recently announced... I think about two months ago, we have now developed a non-GMO low nicotine tobacco variety. It is not quite as low as our original Very Low Nicotine tobaccos, but we are already at 92% less nicotine. And I think in the next 12 to 18 months, you will see an even lower level of nicotine with that non-GMO tobacco.

So, it is very – I mean it is not as important in the United States because our GMO tobacco is deregulated and we can sell it right now in the United States. But, for some parts of the world, having a non-genetically modified tobacco will be strategically very, very important. Those were excellent questions. Thank you, Marion.

Marion Green: Just one other thing. The agreement that the – well the purchase – that the Japanese made with American Spirit cigarettes recently, I believe that was done because of the “natural” label. So, would not this be major competitor to that?

Henry Sicignano: Well, you know, if we are mandated, we would be the only tobacco used in the United States. But you bring up an important point and I guess I should address it. Japan Tobacco paid \$5 Billion for the international American Spirit business. And that business, I think, had about ten or 12 countries where American Spirit is selling outside the United States. And I believe the annual sales were on the order of \$150 Million or \$155 Million.

So, importantly, what you bring up is that Japan Tobacco paid on the order of 33 times sales for that American Spirit business because that American Spirit business has such tremendous growth potential. So, for all of those folks out there wondering what our Company’s potential is and what it could be worth, what you are saying is really, really important.

If we were to sell our own brand of cigarettes and to achieve about 1% market share here in the U.S., then industry comparables suggest that we would have a \$4 Billion market cap. If our tobacco were to be used in every cigarette sold in the United States, then someone smarter than I would have to come up with the valuation, but it is a very, very big number, which is why we are just so excited here. There is so much opportunity and so much potential.

And what we are developing is something that is going to improve public health. So, that is really fantastic. We can improve public health and we can be financially very, very, profitable at the same time.

Marion Green: Sounds very good to me.

Henry Sicignano: Thank you Marian.

Marion Green: Thank you very, very much for your answer and for all of your work.

Henry Sicignano: Thank you! We will look forward to seeing you again at a conference in New York.  
Thank you.

Marion Green: I will be there.

Henry Sicignano: Okay, bye-bye.

Operator: All right and we can take our next question from Joshua Mayone. Joshua, go ahead. Joshua, your line is open.

Joshua Mayone: Oh, yes, sorry. I had the mute button on. All right, so yes, the guy before her just basically asked the question I was going to ask about the licensing of BAT. Basically, all I really wonder now is, you know, it obviously is a win-win if they continue to roll with you guys in October. If they choose not to, is that something we need to be worried about? You know, is that going to be a sign of something else? And a second part would be as far as the patents go, how long can we count on you guys being, you know, the exclusive provider of this new product?

Henry Sicignano: Well, whether or not BAT commercializes, we are in fantastic shape. So, really it is good news if they do commercialize... and it is good news if they do not commercialize. That is really all I can say about that. We have tremendous opportunity and we have the ability to continue to sell our finished cigarettes or our proprietary Very Low Nicotine tobacco leaf as a Company product. So, we are in great shape either way.

Joshua Mayone: Okay.

Henry Sicignano: And, in terms of our IP portfolio, I can only tell you that we have literally hundreds of patents and we are constantly filing new provisionals at least on a monthly basis. So, I guess what I will tell you is that we think we have a fantastic IP position and we are only making it stronger.

Joshua Mayone: So these patents only last a month at a time is that what you said?

Henry Sicignano: Pardon me... I am sorry, could you repeat that?

Joshua Mayone: These patents you said they have to be renewed monthly?

Henry Sicignano: No not renewed. You know what? Why don't I let Tom jump in here.

Tom James: Yes.

Henry Sicignano: He's our General Counsel.

Tom James: Yes Josh. What Henry is trying to tell you is that our existing IP patent portfolio is very strong. We feel it is ironclad. And on a monthly basis, we continue to file new patents on our technology, so we are constantly growing it and improving it.

Joshua Mayone: Okay, yes. I see what you are saying.

Tom James: Okay.

Joshua Mayone: All right, yes, that is cool man. I am excited. You know, I think what you guys are doing is great. I am glad to see that you are already here, you know, as long as everyone is asking for it, but yes keep up the good work -- appreciate it.

Henry Sicignano: Thank you very much. Thank you for calling.

Joshua Mayone: Okay.

Operator: And we can take our next question from John Keller. John, go ahead.

John Keller: Yes, Henry, Tom and John. I have been a shareholder for a couple years. My question is like you said a couple of months ago, you guys made this announcement that you are now producing non-GMO low nicotine tobacco. And for me it seemed like it kind of came out of the blue more or less because I always associated with what you guys are doing with - was with genetically modified stuff.

So, my question is if first of all can the non-GMO stuff also be patented? And if we can produce that non-GMO, are there other companies that could possibly step in and create their own, you know, low nicotine not needing a GMO modification or does this kind of open it up for other companies to say, well look what these guys are doing, we should be able to do the same thing as well?

Tom James: John this is Tom James, General Counsel of the Company. I can answer that question... what we do, to our knowledge, nobody else is doing, let alone being capable of doing. The patents that we file, even if there is researching or studying, the ability of others to commercialize -- to make money from it -- will be blocked by the patents that we continue to file to protect each step as we make improvements, including into the area we are talking about here. So, we are confident of our leader position. We are confident in our blocking position and we are confident in maintaining our lead in the future.

John Keller: Okay. All right. Thank you.

Tom James: Thank you so much.

Operator: And we can take our next question from Elya Ottenberg. Elya, please go ahead.

Elya Ottenberg: Hey guys. Thanks for taking my question. I am excited about the Company. I think you guys are doing a great thing, so it is great to be able to invest in something that is also having a positive impact. I want to circle back to the BAT contract and ask a number of questions on that. One is does that licensing agreement cover the non-GMO strain or only the GMO strain of the low nicotine tobacco? And two, I think you said that it is after three years either party has the option of sublicensing the technology to whomever and then you are splitting the sublicensing profits 50%-50%. Does that mean that there is on both sides a restriction of sublicensing for the next three years?

The thing I am looking at is it seems like your best advantage here and no matter what there is definitely a higher ceiling for this Company and it is terrific, but you have such a head start given this new FDA announcement. So, if that three-year limitation takes away that head start, you know, it seems to me like if BAT executes the agreement in October, you are still going to do fairly well. But it seems like if they did not and you were able to license it to all these other companies now that the landscape has changed, then the ceiling is that much higher. So, is there potential for sublicensing beforehand? Is it something that mutually the two parties could agree to speeding up that process because I feel like the tobacco lobby is going to have a field day here trying to delay this as much as humanly possible. And, you know, I just kind of want to get a clearer scope of the lay of the land.

Henry Sicignano: Under the possibility that the FDA would issue a mandate to reduce nicotine levels to non-addictive levels, we have the ability to sell our VLN tobacco to all U.S. tobacco companies. Again, I cannot overestimate how huge that would be for our Company and our shareholders. And that is the FDA's announced intention! So, we are able to fulfill all tobacco companies' -- American tobacco companies' -- needs if, in fact, the FDA does ultimately issue its final mandate. So, that is good news.

The BAT agreement, again it is a co-exclusive license agreement, we have a carve-out in that agreement and the carve-out allows us to sell our Company's own products, which include everything from our finished cigarettes to our proprietary fine cut tobacco leaves. So, it is all good news. In every case, 22nd Century is a winner.

Tom James: This is Tom James. Let me add to what Henry just said to your point. Our ability to sell our existing Very Low Nicotine tobacco, which already exists and is already ready to go -- in fact, it is the foundation of all of the science that the FDA has paid more than \$100 Million for -- we can use that to enable the industry now without needing any license to be a leaf producer. So, the ability

to sublicense is not a factor and the ability of our Company to move forward on our own with or without BAT.

Elya Ottenberg: I get what you are saying and definitely I think that the future is bright. I guess what I am getting at is as a smoker myself and one who firmly believes that if there is less nicotine I would smoke less, but who is also extremely brand loyal, it seems in my mind not knowing really the science behind it and the way it kind of works that if you were able to license the technology so brands can adapt, so that Camel is now low nicotine rather than using a new strain of tobacco seems like a higher ceiling than, you know, introducing a new brand to market which definitely would carve out a market share. But it is going to be slower to chip away at some of the more brand loyal consumers out there. Does that make sense?

Henry Sicignano: We envision, if the FDA mandate is implemented, you know, we would envision a Camel cigarette having Very Low Nicotine tobacco. And then whatever flavorings that are typical of a Camel cigarette would still be used and casings and all of that. So, the taste probably would not change from what you are used to. We do not envision, you know, a host of new brands. We envision all the existing brands simply containing 22nd Century's Very Low Nicotine tobacco.

Elya Ottenberg: So in the case if BAT executed the license, you would be looking to be a provider of tobacco to the larger American tobacco companies as opposed to a licensor of technology?

Henry Sicignano: Exactly.

Elya Ottenberg: Copy that. Okay. Well guys...

Henry Sicignano: Thank you. Thank you very much for participating on the call and asking your questions. They were good ones.

Elya Ottenberg: Well thank you very much. I am a new investor and you guys are one of the first things that I bought and I think you have a bright future in all of the avenues that you are pursuing, but this one seems the most immediate. So, I am excited and was just kind of looking to play devil's advocate for where the ceiling might be lower versus higher.

Henry Sicignano: Sounds good, makes sense. Thank you.

Elya Ottenberg: Thanks guys.

Operator: And we can take our next question from Glen Timberlake. Glenn, please go ahead. Your line is open.

Glen Timberlake: Thank you. The guy that just asked the last question about brand loyal and so forth, I thought that was a very important question. I was wondering about that myself. And I am wondering also how long - you have a certain number of cigarettes you have made now or you can provide. How long does it take to ramp up production of all the tobacco that is required to fill the needs of all the Camels, the Phillip Morris' and the numerous brands that are out there?

Henry Sicignano: Did you say how much time would be required?

Glen Timberlake: Yes, what is your timeframe that it takes to ramp up the production to hit a mass-market level? And, also how long do you predict that it is going to be before this tobacco is going to be commercially available throughout the United States and throughout stores in the United States, you know, the country and the Walmart's and everywhere else?

Henry Sicignano: Well let us start off with this -- the sooner the better, that is for sure. So, that is the headline -- the sooner the better. And the good news is one tobacco plant produces a tremendous amount of seeds. So, literally within 12 months we could make enough seed to

supply all the tobacco that would be necessary for the entire industry. And I cannot wait to start that project. I would start that tomorrow if the FDA completed its review here. So, we stand ready and excited to cooperate with the FDA and with all of our competitors.

Glen Timberlake: And so as far as like the other person said somewhat a while ago about brand loyalty, you probably would be providing other companies tobacco and they would be doing their own marketing, their own advertising and so forth. Is that right?

Henry Sicignano: That is exactly right. That is exactly right and it would not be much different from how it works today. The Big Tobacco companies generally buy at auction their tobacco from the same farmers. You know, a Camel cigarette might use tobacco from the same supplier that a Marlboro cigarette might use. And then the cigarettes are differentiated in the manufacturing process by the various additives that are used to make the finished cigarette. So, our place in that whole chain would simply be supplying the Very Low Nicotine tobacco that then the whole industry would use.

Glen Timberlake: One last thing and that is I am curious how does this – will this span the universe of the loose tobacco that goes for roll your own and stuff like that and how is that going to affect Skol and so forth?

Henry Sicignano: Yes, well it could, but at this point the FDA is talking about lowering nicotine levels across the board, but lowering nicotine levels to very low levels was specifically discussed in terms of combustible cigarettes. So, I think that is the first priority for the FDA and I guess they will probably see how it goes and then take things from there.

Glen Timberlake: Yes, of course. I have had friends that like to buy and roll their own stuff, so that is the reason why I was asking about the loose tobacco.

Henry Sicignano: Well, those are great questions and I think it is going to be an exciting year or two for us here.

Glen Timberlake: Thank you.

Henry Sicignano: Have a good night.

Operator: And we can take our next question from Anthony Veloso. Anthony, please go ahead. Your line is open.

Anthony Veloso: Hi Henry and everyone. Congrats again and your success is well-deserved -- definitely. So, my question is about you talked about the sale price of the Company, I think in an interview. And based on what has happened now with the FDA that there is no current plan to be bought out because I guess it would be more lucrative to license out to all the tobacco companies. But my question was would it be possible to be bought out?

I know there has been an issue -- there has been discussion about antitrust issues if your technology would be implemented in every single tobacco company's product. Could you be owned by a single tobacco company is what I am asking, I guess?

Tom James: Yes, Anthony, this is Tom James, the General Counsel of the Company. We can be owned by anybody we want to be owned by, but we will only be owned by someone that we agree to be owned by. What does that mean? We have extensive protections throughout the Company for anti-takeover. Nobody can take us over or buy us without our approval. So, we are very confident in our independence and we will entertain our opportunities as they come forth.

Whether that means us producing leaf as Henry says for the rest of the world or whether we consider a buyout or whether we consider all these other options, it is always something for our

Board to consider. But, obviously at this stage, it is early in the game. We would obviously prefer to grow for quite a while.

Anthony Veloso: Okay, thanks very much. Actually, just as a follow question, I think Henry in an interview you had mentioned before that, and I could be wrong, but you mentioned that you thought the valuation of the Company would be around \$60 a share. But this was definitely before the FDA announcement. So, just off the top of your head, where would you value the Company now?

Henry Sicignano: The best thing that I can say is that I have never sold a share of stock and so I think in my personal view that our stock has never been at a place where I think it is high enough for me to sell shares. So, I guess that my actions speak louder than words.

Anthony Veloso: Okay.

Henry Sicignano: But you can do your own math though, right? You can imagine if every cigarette sold in the United States contained our Very Low Nicotine tobacco, then I don't know, but that would suggest that we are worth a lot of money. If Big Tobacco lost \$30 Billion in the face of this possible new FDA mandate and our Company is now worth, I do not know, around \$250 Million, then that gives you some suggestion that we have plenty of room on the upside.

Anthony Veloso: Okay, thank you very much.

Henry Sicignano: Thank you.

Operator: And we can take our next question from Chris Johnson. Chris, please go ahead. Your line is open.

Chris Johnson: Hey guys, it is a late call here, so I appreciate you guys taking the time to answer everyone's questions. Just a couple in regards to kind of the cash flow in things. As you guys start to scale up, is there going to be a need for an influx of cash or anything whether you go the licensing route or you end up growing it yourself or anything? Is there any kind of need for additional cash? I know you guys are good operationally until I think May or March of 2019, but is there any other additional requirements in kind of scaling this operation?

Henry Sicignano: We have no current additional requirements for capital. And if the FDA mandate were to come about, I am quite sure that there would be some financing provision as part of that or in the scenario where we were to collaborate with one or more Big Tobacco companies. As part of such an agreement, there would always be a financing component. So, the good news is in all of these tremendous opportunities that lay before us, none of them will really require any massive infusions of capital.

Chris Johnson: Okay, and then kind of during the next 12 months, is revenue right now essentially just going to be from testing, you know, governments buying the cigarettes for additional testing and things of that nature or do you expect to see any kind of revenue from the hemp side of things in the next 12 months or on the cannabinoid side. I know that with Canada potentially going fully legal there in June or July of 2017, are you guys looking at anything there or is it too soon for that?

Henry Sicignano: Yes, well, we have revenues certainly from government research cigarettes. We have a new purchase order that we received a month or two ago and we will be making those cigarettes later this quarter, I believe. We also have contract manufacturing revenues and those have been growing quite nicely and we expect them to continue to grow to the point actually where I believe by the first quarter of next year our factory will be profitable. So, that is good news and that is something we are looking forward to.

Outside of those things, we are always looking at international opportunities to sell our products and we are exploring opportunities even now for some of our hemp products and some of our hemp projects. So, I do not have a timeline. I am not ready to publicly announce on any of those initiatives, but I will tell you that we are active in all of them.

Chris Johnson: Okay, I appreciate the insight there and just kind of the last question on your ability to produce the Very Low Nicotine tobacco. Are there any constraints? I know you mentioned that I think some of the other competitors may not have it, but is there anything with the way you grow it? Does it change cigarettes that naturally have the harmfulness to them.

And I know the low nicotine is more in the addiction level. Is there anything else that gets introduced into your plant from it having the low nicotine? Is there a higher chance of it getting wiped out from pesticides or does it have some other element coming into the tobacco that kind of changes the overall makeup or is it pretty standard to what we see today?

Henry Sicignano: It is close to what we see today. First of all, I want to say this definitively -- and I hope I did not contradict this earlier by accident -- but there is no safe cigarette.

Chris Johnson: Right.

Henry Sicignano: So, a Very Low Nicotine cigarette is in no way, shape or form somehow a safe thing to smoke. So, let us get that right out front and center. There are no things that are extra or less than any traditional cigarettes in our product, except that it is a Very Low Nicotine product. So, that is the only... and being a Very Low Nicotine product, as all of these hundreds of millions of dollars' worth of studies show, smokers tend to smoke fewer cigarettes and they tend to increase their quit attempts. So, those are the things that the FDA is obviously very interested in.

But now in terms of the plant itself, nicotine is a natural insecticide. So, yes, a Very Low Nicotine plant does have relatively more problems with pests, but those are easily solved in the field and that is not something that becomes a problem for growth or production.

Chris Johnson: Okay and then just kind of the last question. Is there any insight or kind of color on the cannabis end of things? Like I mentioned, Canada potentially and obviously more in the United States have gone there. Are you guys mostly strictly on kind of the medical uses on the end of it or is there, you know, I do not know if you guys have looked at it at all and the opportunities in Canada -- things of that nature?

Henry Sicignano: Sure, I will let Tom address that question.

Tom James: Yes, Chris, because we are an American publicly traded company on the New York Stock Exchange American market, we cannot and do not touch anything that is not legal hemp, which is 0.3% THC or less. However, in hemp that has low THC, we are able to push up significantly the other cannabinoids, including the medical ones. CBD is well-known now. People do not know of the hundred other cannabinoids, for example CBDV – that's the letter "V" like in "Victor," is, I believe, exponentially stronger medicinally than CBD. So, we are working actively on these very unique plants and we will be bringing those plants, as well as their extracts, to market.

Chris Johnson: I appreciate the color on that. Thanks guys.

Henry Sicignano: Thank you very much.

Tom James: Thank you.

Operator: And we can take our next question from Glenn Dehrman. Glenn, please go ahead. Your line is open.

Glenn Dehrman: Yes, hi. I am a shareholder and I really appreciate what you guys are doing. I have two questions for you. Number one, have there been any attempts to infringe on any of your patents?

Tom James: No.

Glenn Dehrman: That is good. And number two, are there any other compounds in combustible cigarettes with an opportunity to improve?

Henry Sicignano: Glenn - meaning compounds like cancer-causing NNN or NNK? You know, we publicly announced that we have lower amounts of those... along with the lower levels of nicotine. Is that what you are...

Glenn Dehrman: Yes, that is actually what I was referring to. You know, I don't know what the pharmacological makeup of a cigarette is and what could damage people and whatever. So, I am just wondering are there other research opportunities that you are discovering through your research with the tobacco for a lower nicotine product?

Henry Sicignano: Yes. We are constantly making new discoveries and new improvements to increase our unique plants and the patent portfolio and, as we said earlier, protecting it all along the way so we are making advancements and protecting it every step of the way.

Glenn Derman: Well, that is great. Thank you very much.

Henry Sicignano: Thank you, sir.

Operator: And we can take our next question from David Bentrup. David, please go ahead.

David Bentrup: Good afternoon gentlemen. Just like to say I am a shareholder and I have been for a couple of years. I am an RN, so I love the medical technology space. I was wondering in regard to your share price to the stock structure itself, if there were any plans moving forward to alter that in any way to make it more available due to the governance rules of the larger mutual funds?

Henry Sicignano: No, we think we will grow organically and our share price will naturally rise to the place where we think that those funds and many analysts will have a lot more interest.

David Bentrup: The reason I bring that up is as you mentioned in the very early part of the call that probably 90% of the country knows nothing about your Company. I would expect mutual funds are starting to learn more about it and I am sure there are a lot of them that would be interested in jumping on board with this, especially the socially monitored ones. So, what you are saying is there are no plans within the Company right now to do anything to move in that direction to make it more nationally acknowledged?

Henry Sicignano: Well... We are certainly talking with some new folks, some new analysts and I might conduct a non-deal road show in September because we have had lots and lots of interest coming in. And frankly, there are more calls to field than we have time for here at the office. So, we will certainly do those outreach initiatives and outreach campaigns. We will certainly do that. But, we have no plans and no intention to do anything like a reverse split or anything similar that would artificially move the share price up. I do not think we will need to do that, frankly. I think we will be where we need to be for institutions and for analysts to naturally start to buy and cover us in the very near future.

David Bentrup: Okay terrific. Yes, love the concept. I have loved watching your Company grow. And along with everybody else, I am very excited to go along on this ride with you guys for the next five, ten years. Thank you.

Henry Sicignano: Thank you so much, sir.

Operator: Okay. Then we can take our next question from Elliott Robbins. Elliott, please go ahead.

Elliott Robbins: Thank you. Hi guys. Congrats on developments. Henry, your enthusiasm is palpable. I am really excited with the direction in which we are moving. Also, I appreciate Tom's increased involvement in these conference calls -- very comforting and I think he brings a lot to the table as well. A couple of quick questions. Regarding BAT, everybody's looking for a little bit more color and I am sure you guys have done the calculation. I want you to assume that BAT exercises all their options to the fullest extent possible over the next three years. Can you give us a ballpark of what kind of revenue that would bring in over the three-year period?

Henry Sicignano: I know there is an initial ramp up period, but it is relatively slow. So, it depends how much they sell and where they sell it and there is an initial ramp up period. I do not have the agreement in front of me, but it is complicated -- we would have to do a more comprehensive analysis for you...

Elliott Robbins: Yes and I am sure you guys have kind of done that. I do not know how much you are at liberty to share, but could you give us a ballpark idea if BAT does everything they could possibly do, then what that might yield? Just a range or is that something that is not feasible?

Henry Sicignano: Yes, I do not think it is feasible right now. I do not have the agreement in front of me and if we did something like that, even though there are 400 people on the call, we would have to announce something publicly and that would require a Form 8-K and other disclosure filings.

Elliott Robbins: I understand. Another one - this one is a little bit more difficult. If hypothetically BAT were to decline to do anything and that deadline comes and goes, then as shareholders what are the kind of rationales that we should infer from their decision not to participate? I mean there

must be some favorable things...some reason that they would choose not to, but in the general sense can you explain those to us?

Henry Sicignano: Yes, I cannot even begin to put myself in their shoes, but the only thing that I could imagine would be that somehow they are too preoccupied with their acquisition of Reynolds American and they are just not thinking about it.

Elliott Robbins: And it is a very difficult question and it seems unlikely, but I am sure that we will try to make sense of it at that time if it occurs. And, then lastly, I apologize, but some of us have not, you know, we are not up to date on all our reading and our due diligence, but I was pleased to hear that the cash position essentially has improved 50% due to the exercise of warrants. And can you shed a little color on that? Who exercised warrants? How did the cash grow from about \$12 Million to \$18 Million?

Henry Sicignano: That is a whole other web of public and nonpublic information. So, what I can say is that it was an existing large institutional investor, who has been very excited about our Company and about his investment for the last... at least a couple of years, and who told me very recently that he expects to make a killing on our Company. So... that is the guy who exercised his warrants.

Elliott Robbins: Excellent, well I appreciate your help on those issues and keep up the good work -- very exciting. I am looking forward to the short term, and the long term is also welcome. Thank you, Henry.

Henry Sicignano: Thank you very much. We appreciate it.

Operator: And we will take our next question from James Hsu. James, please go ahead. James, your line is open.

James Hsu: Yes, sorry I was on mute. Thank you very much for taking the call gentlemen. If possible, I would like to ask you to play the devil's advocate position. Given that at the recent FDA meeting in June there were 42 callers or 42 FDA staff members and most of them called and it is clear that that FDA has a very significant interest in the Company. If I were Big Tobacco, I would be looking to push back as hard as I can with all the lobbying money that I have. So, I would like to ask you if you were Big Tobacco sitting in their shoes, what would you do to try and delay the FDA mandate as long as possible so that you can continue to earn the revenue that your are currently earning?

Henry Sicignano: Well, yes, Big Tobacco has already started that, right? They have already said that there needs to be a mountain of science and evidence in order to make such a mandate. And they said that it needs to be demonstrated that the mandate is technically feasible... And the great news is that we have shown that our Very Low Nicotine tobacco cigarettes -- that we have been selling for some years now to the government -- has shown that it is obviously technically feasible -- very easily achievable.

And in terms of a mountain of science and evidence -- I think those were Altria's exact words -- they can look at our website. There are dozens of clinical trials that are on there already completed, and then another 25 or so trials that are on-going. And the FDA does not take science and evidence lightly. In order for Dr. Gottlieb to have gone out on July 28th and made the announcements that he did, reflected that the FDA is very, very confident that Very Low Nicotine cigarettes will improve public health.

James Hsu: I totally agree with you. What I am curious about is that certainly in any scientific data they are going to put to various biases...study biases, funding studies, and so forth. What I am curious about is would the politicians that are supported by the Big Tobacco companies have a

say or could they have a say in what Dr. Gottlieb ends up trying to pursue as an FDA mandate, which carries a lot more weight than just an FDA statement?

Tom James: Yes, James, this is Tom James, General Counsel of the Company. The FDA, as you know, is an agency making a rule or regulation under the law. The law provides already that the FDA specifically has the authority to mandate reduced levels of nicotine to non-addictive levels. According to the Tobacco Control Act, they cannot ban tobacco or mandate nicotine zero cigarettes. However, the FDA is fully within its rights as to what it is doing. So, we are confident that Big Tobacco may argue all day long, but as Henry said earlier, the science is there and the process is going to be pushed by Dr. Gottlieb. People in Congress can obviously weigh in with their opinions, but it is out of their hands.

They passed a law in 2009 and now the Agency's enacting regulations specifically within that law. So, there is not even a basis for attack to say that somehow the FDA is acting outside the law. So, this is just a matter of time. It is not if, it is when. And when is coming soon!

James Hsu: That is outstanding Tom. That is what I was looking for. Thank you very much.

Henry Sicignano: Thank you very much. I think we have come to the end of our list of callers and we really appreciate literally 480 or 490 participants on the call today. Thank you so much for making time for us. We look forward to meeting many of you at our annual meeting next spring.

Operator: Thank you so much. This does conclude today's call. Thank you for your participation. You may disconnect at any time and have a great evening.