

22ND CENTURY GROUP, INC.

**Moderator: John Brodfuehrer
August 10, 2016
3:00 pm CT**

Operator: Good day and welcome to the 22nd Century Second Quarter 2016 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 at 22nd Century Group. Please go ahead sir.

Thomas James: Thank you very much. My name is Thomas James, the Vice-President and General Counsel of 22nd Century. I appreciate everyone's patience while I read the required 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, future plans and objectives, and future results of operations or that may predict, forecast, indicate or implying 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 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 and Exchange Commission on February 18, 2016. 22nd Century does not undertake and it disclaims any obligations 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, 2016 as publicly issued yesterday on August 9, 2016, and which is available on our Company's website.

And with that I'll turn it over to our Chief Financial Officer, John Brodfuehrer.

John Brodfuehrer: Good afternoon everyone and thank you for calling into 22nd Century's second quarter 2016 conference call. For those of you who are new to the call, my name is John Brodfuehrer and I am the Chief Financial Officer of 22nd Century. I am pleased this afternoon to provide you with a summary of the Company's financial results for the second quarter of 2016.

I will first address our net sales revenue. The Company's most recent SPECTRUM research cigarette order generated substantial revenue and positive gross margin; however, the shipping of such order was completed in the first quarter of 2016, so our second quarter 2016 net sales revenue showed a decrease of approximately \$190,000. Specifically, net sales revenue for the second quarter of 2016 were \$2,828,000, an increase of \$521,000, or 22.6%, over net sales revenue of \$2,307,000 for the three months ended June 30 of 2015, which was 4.7% higher than

the analysts' projections. The net sales revenues for the six months ended June 30, 2016 were \$5,847,000, an increase of \$2,924,000, or 100%, over net sales revenue of \$2,923,000 for the six months ended June 30, 2015.

I will next talk about our gross loss on product sales. Our gross loss on product sales has improved, decreasing for both the three and six months ended June 30, 2016 as compared to the same periods of 2015. The gross loss decreased by approximately \$152,000, or 52%, with the three months ended June 30, 2016, and the gross loss decreased by \$293,000, or 94%, for the six months ended June 30, 2016. As such, we continue to make progress in overcoming the under-utilization of our factory resources.

I will next move on to our operating expenses. Our operating expenses, excluding non-cash items such as equity based compensation, amortization and depreciation, have increased for both the three and six months ended June 30, 2016, as compared to the same periods of 2015. As such, excluding the non-cash expenses just mentioned, our operating expenses increased approximately \$748,000 and \$2,128,000 for the three and six months ended June 30, 2016 when compared to the same periods in 2015.

The increase in our operating expenses consists of costs for strategic activities, including (i) personnel to strengthen our regulatory and scientific initiatives, (ii) investments in new sponsored research, and (iii) non-recurring advertising and promotional costs. It should also be noted that our operating expenses for the second quarter of 2016 were 19.8% lower than the analysts' projections.

It is also important to understand that, as is typical of a small public company, 22nd Century invests substantially more than one-half million dollars per year -- actually about 10% of our regular operating expenditures -- on SEC and New York Stock Exchange compliance costs.

While all of these expenses are of course necessary, the Company is keenly focused on managing costs and operating our business as efficiently and effectively as possible.

I will move on to our net loss for the period. Our net loss for the three months ended June 30, 2016 was \$2,902,000, or (\$0.04) per share, as compared to a net loss of \$1,289,000, or (\$0.02) per share, for the three months ended June 30, 2015. Our net loss for the six months ended June 30, 2016 was \$6,155,000, or (\$0.08) per share, as compared to a net loss of \$5,405,000, or (\$0.08) per share, for the six months ended June 30, 2015. Keep in mind that the net losses for the three and six months ended June 30, 2015 also included proceeds from a legal settlement with an unrelated third party in the amount of \$1,000,000. This means that our net loss for the first half of 2015 would have been worse without that 2015 legal settlement, but it also means that our net loss for the first half of 2016 is an improvement over the previous year.

I will move on to our Adjusted EBITDA, which Tom has defined in his comments. Our Adjusted EBITDA, which is a non-GAAP financial metric that we have discussed previously, for the three months ended June 30, 2016 was a negative \$2,404,000, or (\$0.03) per share, as compared to a negative \$1,807,000, or (\$0.03) per share, for the three months ended June 30, 2015. Our Adjusted EBITDA for the six months ended June 30, 2016 was a negative \$5,144,000 or (\$0.07) per share, as compared to a negative \$3,308,000, or (\$0.05) per share, for the six months ended June 30, 2015.

Both the increases in the net loss and negative Adjusted EBITDA are primarily the result of increased operating expenses, the importance of which has been addressed in my earlier comments.

Finally our cash position of the Company. We reported a cash balance of \$2,841,000 at our balance sheet date of June 30, 2016. As previously reported on July 27, 2016, we closed on a registered direct offering that generated net proceeds of \$4,700,000 for the Company. Including

the cash balance and June 30, 2016 coupled with the net proceeds from the capital raise, but not including potential milestone payments of up to \$7,000,000 from BAT and not including deposits or other advance payments from potential strategic partnerships, we believe our current cash balance coupled with revenues from ongoing party sales would be adequate to sustain operations and meet all current obligations as they come due through at least May of 2017.

Thank you for your time consideration and continued interest in 22nd Century. I will now turn the remainder of the conference over to our President and CEO, Henry Sicignano, who will provide you with the business review and update. Thank you very much.

Henry Sicignano: Thank you John. Good afternoon to our conference call participants. Thank you for joining us today. I would like to begin my remarks by discussing what is likely the most important competitive advantage held by 22nd Century. Indeed the tremendous and still largely untapped value of our Company is highlighted by the growing chorus of support of public health officials around the world who contend that 22nd Century's proprietary Very Low Nicotine cigarettes are poised to make major differences in the smoking cessation and tobacco harm reduction arenas.

Recent public presentations and agency mandates have made clear that the FDA has made regulating nicotine a primary objective in the United States and at the same time the World Health Organization, commonly referred to as WHO, has recommended that all member countries implement limits on the amount of nicotine in tobacco cigarettes to below addictive levels. This focus on mandated reductions of nicotine in cigarettes is potentially troubling news for many in the tobacco industry, but it is very good news for 22nd Century.

Indeed, variable nicotine combustible cigarettes are a game-changing idea and 22nd Century is the sole source in the world for naturally grown tobacco at very low levels of nicotine. Our technology makes possible Very Low Nicotine smoking cessation cigarettes that have the potential to save millions of lives. Conversely, for smokers who do not wish to quit smoking, our

technology makes possible the world's lowest tar-to-nicotine ratio cigarettes that could drastically reduce smokers' exposure to the most toxic elements of cigarettes.

Similarly, 22nd Century's patented technology facilitates our development of THC-free industrial hemp that could revolutionize agriculture for fiber and biomass. Our proprietary technology will also enable 22nd Century to increase the expression of medically important cannabinoids in the cannabis plant, which has the potential to help millions of patients suffering from neurological diseases and other medical ailments.

At the core of 22nd Century, investors find a biotechnology company devoted to changing peoples' lives through novel applications of our extraordinary technology.

On an international level, we are pleased to hear that public health agencies around the world are beginning to broadly announce positions in support of Very Low Nicotine tobacco cigarettes. As I stated earlier, the World Health Organization recently published a report which recommends that all WHO member countries essentially mandate the use of Very Low Nicotine tobacco.

To give you a flavor of exactly what is contained in this remarkable 36-page WHO report, I will read here a few excerpts. Fundamentally, the WHO study group concluded "that nicotine is the primary addiction chemical common to combusted and non-combusted tobacco products," and therefore "because non-nicotine components of tobacco are critical to the sensory experience of smoking, [very low nicotine tobacco] is more effective in reducing craving and producing greater pleasure in smokers than nicotine without tobacco."

The WHO report further states that "No specific amount of nicotine has yet been identified as the absolute threshold for addiction; however, it is likely to be equal to or possibly less than 0.4 milligrams per gram of dry cigarette tobacco filler." 22nd Century is the only company in the

world capable of producing combustible tobacco cigarettes at this very low level of nicotine, all without any artificial extraction or chemical processes.

It is important to understand that reduced nicotine “yield” cigarettes first developed and marketed by “Big Tobacco” companies in the 1970s as “light” and “low tar,” which are terms now banned by the FDA, deliver doses of nicotine that are actually comparable to full flavored conventional cigarettes and, in fact, extend the prevalence of addiction. In stark comparison, 22nd Century’s Very Low Nicotine cigarettes drastically reduce smokers’ exposure to nicotine to levels that have been shown in independent clinical trials to decrease daily cigarette consumption, as well as to reduce nicotine and toxin exposure.

This growing body of independent scientific evidence, including the groundbreaking clinical trial published in October 2015 in The New England Journal of Medicine, demonstrates that 22nd Century’s proprietary Very Low Nicotine cigarettes do not sustain addiction and can help to decrease or break nicotine addiction without withdrawal symptoms.

In a nutshell, the World Health Organization has recommended a policy of limiting the sale of cigarettes to brands with an overall reduction in nicotine intake on the order of 90% to 95%.

Again, only 22nd Century is capable of producing cigarettes with naturally grown tobacco at this very low level of nicotine.

Last, but importantly, the World Health Organization reports that Very Low Nicotine cigarettes may support quitting, not only for smokers who seek treatment but also for smokers who have not previously expressed an interest in quitting. In other words, 22nd Century’s VLN cigarettes may actually significantly expand the market of smokers who are willing to quit.

These World Health Organization recommendations have not gone unnoticed in the United States and, remember, as a result of the Tobacco Control Act passed by Congress in 2009, the FDA already has the regulatory power to set an across-the-board maximum nicotine level for all cigarettes sold in the United States.

Although 22nd Century would greatly benefit from the FDA exercising such power, we are concerned that any governmental regulations that require drastic reductions in nicotine for all cigarettes could result in the same ill-effects created by alcohol prohibition almost 100 years ago, and would likely spur a massive black market for conventional cigarettes.

Instead, pragmatic public health advocates have proposed what is perhaps a far better idea, which is that the FDA could simply require all U.S. cigarette manufacturers to offer consumers a Very Low Nicotine brand style alongside their existing cigarette styles. For example, if such an FDA-mandated policy were put into place, the existing Marlboro Red, Gold, Silver, and Menthol cigarette styles would be joined by a Marlboro Very Low Nicotine brand style.

Under this scenario, 22nd Century's proprietary Very Low Nicotine tobacco -- with the taste and sensory characteristics of conventional cigarettes, but with approximately 95% less nicotine than conventional cigarettes currently made by Altria, Reynolds and other Big Tobacco companies -- would be made available to all tobacco companies for use in their brands. And, in this way, no black market would arise, the competitive landscape among big tobacco manufacturers would remain intact and, most importantly, consumers would actually have the freedom to choose what nicotine level to smoke. This idea makes a great deal of sense. It is imminently feasible and could go a long way to addressing the stubbornly high smoking rates in America today.

Of course, while we are patiently waiting for public health officials to consider such common sense approaches to tobacco policy, 22nd Century is also pursuing our own company-specific strategy to introduce Very Low Nicotine tobacco in the U.S. market. Our Modified Risk Tobacco

Product application for Brand A VLN tobacco cigarettes has been with the FDA now for seven months and appears to be moving along in the approval process.

As a reminder, FDA guidance for the MRTP process reflects a 360-day review period. That said, even as others urge FDA to take broader regulatory action on Very Low Nicotine tobacco, we remain eager to cooperate with the FDA in order to speed the approval of our BRAND A reduced exposure cigarettes so that U.S. consumers can have a choice of a very low nicotine combustible tobacco product.

In other news, in May of this year, the FDA announced new deeming regulations which, for many tobacco marketers, is a serious impediment to future sales. Indeed, the new regulations require that little cigars as well as premium cigars and most other tobacco products, hold to a 2007 predicate requirement. This means that without a valid 2007 predicate, many cigar marketers will effectively be unable to sell their products in the United States unless they commit to cost prohibitive investments for extensive new regulatory filings required by FDA.

While this is a huge problem for most manufacturers, these new regulations have already proven to be a great opportunity for 22nd Century. We have secured what we believe are valid 2007 little cigar predicates and we have even produced our own filtered cigar brands based on these predicates. Over the last two months, our regulatory strategy has earned the notice of several other tobacco marketers who were searching for ways to remain in business under the new FDA regulations.

Using the same strategy that led to our creation of our own filtered cigars, we offered a pathway for other brands to leverage our predicate products. As a result, in July of this year we added eight new contract manufacturing customers at our manufacturing facility. And, over the course of the next 12 months, as the new regulations take full effect, we expect to add even more new names to our growing contract manufacturing customer list.

On to international developments. At our European manufacturing partner's facility, next week we will begin manufacturing MAGIC cigarettes which are destined for France. These cigarettes are planned for market introduction early in September following the August European holiday season. This long-awaited product launch will mark the first time our Very Low Nicotine tobacco will be combined with the CelFX carbon matrix filter.

Manufacturing at our North Carolina factory for distribution of MAGIC and RED SUN in Australia will follow a similar timeline, though the in-market date will be slightly later given the long trans-Pacific shipping time. Upon achieving market penetration in France and in Australia, we will relaunch MAGIC combined with the CelFX carbon matrix filter in Spain, and we anticipate a number of additional countries also bringing the brand to market in the coming months.

As some of you may know, I met with a number of tobacco and pharmaceutical companies in India this June. Though I cannot yet announce any specific collaboration in India, I am pleased to report that our tobacco and our technology were very well received in India. In India and elsewhere, we have found a growing interest in our processed tobacco leaf -- both very low nicotine varieties and high nicotine varieties.

And while we have valuable relationships with experienced farmers who can grow our unique tobaccos, we have not yet been satisfied with partner companies charged with processing our proprietary tobaccos. Accordingly, to control our own destiny and to support future sales, last week we purchased a tobacco threshing machine. Capable of processing many thousands of pounds of tobacco per day, the unit will enable us to test market on a larger scale both our high and low nicotine tobaccos to international customers. This new machine will be located near our Mocksville, North Carolina manufacturing facility and is right-sized for our Company at this early stage in our efforts to process and sell our proprietary tobaccos.

And, you know, this topic presents an opportunity for me to remind shareholders about an important philosophy we have here at 22nd Century. Though we are not yet profitable and though we are a small-cap company... or, rather, precisely because we are not yet profitable and because we are a small-cap company... 22nd Century management has endeavored to run our business conservatively and prudently. Accordingly, every piece of equipment in our factory, including our new threshing machine, is owned by 22nd Century. Outright. We have no equipment loans. In fact, 22nd Century as a whole has very little long term debt.

The officers of this Company are all shareholders who run our business with the care and prudence of business owners. I am proud of this fact and I am quite confident that this philosophy is far better than a highly leveraged approach. As a virtually debt-free company, we are transparent to our shareholders and we are well-positioned to commercialize our IP portfolio.

As I have reported in the past, commercializing two different products that utilize our very low nicotine tobacco -- first BRAND A, a reduced exposure product, and eventually X-22, the world's only smoking cessation aid in the form of a combustible tobacco cigarette -- are top strategic objectives of the Company. As I mentioned, the Company's MRTP application to the FDA has already been submitted for BRAND A. We believe 22nd Century will be the first company in the world to achieve a Modified Risk Tobacco Product designation for a combustible cigarette.

In more recent months we have turned our attention to identifying the right strategic partner for X-22. The Company believes that our X-22 smoking cessation product in development may in fact prove to be the world's most effective smoking cessation aid. This remarkable product is also, by the way, overwhelmingly preferred by consumers. To this end, we recently hired a full-time former pharmaceutical executive to spearhead our efforts to sign a joint venture partner to fund Phase III clinical trials for X-22.

Having spent more than a decade with Johnson & Johnson's Animas Corporation managing the company's sales efforts for its diabetic insulin pump, our new Business Development Director, Jim Vail, has already brought valuable new insights to our team and is confident that we will sign a JV agreement for X-22 VLN smoking cessation cigarettes. For those of you who do not know, many independent clinical studies have shown that 22nd Century's VLN cigarettes are highly effective when used alone, and have also been shown to increase the efficacy of virtually all other smoking cessation products, including nicotine replacement therapies and Pfizer's very dangerous drug, Chantix. For these reasons, we believe 22nd Century will ultimately capture a substantial portion of the world's multi-billion dollar smoking cessation market.

Another important milestone on our priority list is to develop important cannabis varieties for the industrial and medical markets. To this end, our VP of Plant Biotechnology Dr. Paul Rushton, is hard at work at our molecular laboratories at the Cleveland BioLabs building on the Buffalo Niagara Medical Campus. Together with a small staff of post-doc scientists, Dr. Rushton is advancing research to both improve our tobacco technology and to develop unique varieties of cannabis. Combining these two core competencies, Dr. Rushton is working to produce medically important cannabinoids in tobacco. A novel concept that, with patent protection, only 22nd Century can pursue.

Of course, we are also continuing our cannabis research and development in Vancouver, Canada with our partner, Anandia Labs. And, I am pleased to report, we have plans to expand our cannabis research and development with other partners to be announced in the near future after we have finalized and executed appropriate agreements. In the agricultural arena, our technology could once again make hemp a major field crop in the United States.

In this regard, our Company is actively meeting with state agricultural departments, major research universities and farmers to help them develop unique hemp plants that are optimized for local growing conditions. We are at the forefront of the developing hemp industry in many states.

We will also be using our technology to develop proprietary cannabis plants with high levels of medically important cannabinoids for use in medicines and for further scientific research on the medicinal benefits of certain cannabinoids. In short, our cannabis related technology has the potential to make peoples' lives better around the globe.

Our BRAND B, low tar-to-nicotine cigarette also remains a very important priority to the Company. A major milestone in the development of BRAND B is to conduct a proof-of-concept study. Featuring a relatively small sample size, this study is scheduled for completion in December of this year and, if all goes according to plan, it will help us to design for submission to the FDA a larger more comprehensive exposure study.

All of these studies will be conducted for the purpose of demonstrating that 22nd Century's extremely low tar-to-nicotine ratio cigarettes expose smokers to considerably less tar and less smoke per unit of nicotine inhaled, and are, therefore, far superior to conventional cigarettes made by Big Tobacco companies. When our trials are complete, we expect to use their results to file a Modified Risk Tobacco Product application for BRAND B with the FDA.

In conclusion, the management and staff of 22nd Century will continue to focus on achieving important and specific strategic initiatives. We believe that reaching these milestones will increase shareholder value tremendously and will bring to market very important tobacco products that significantly reduce the harm caused by smoking. At the same time, we intend to bring industry-leading new varieties of medical marijuana and commercial hemp to the market.

In summary, we are a biotechnology company with a great future in two major plants that will impact consumers around the world.

That is about it for now. Thank you for joining us this afternoon. At this point, we will open the floor to your questions. And although we certainly will not divulge non-public information and we

cannot, as a matter of prudent policy, disclose strategy or material facts related to ongoing litigation, we are happy to address any questions you may have about any aspect of the Company's business.

With that, thank you again for joining us. Operator, please open the line for our first caller.

Operator: At this time if you would like to ask a question, please press the Star and 1 on your touch-tone telephone. You may withdraw your question at any time by pressing the pound key. Press again to ask a question. Please press the Star and 1 on your touch-tone phone.

We'll take our first question today from Jim McIlree with Chardan Capital. Your line is open.

Jim McIlree: Thank you. Good evening Henry and John.

Henry Sicignano: Hi Jim...

John Brodfuehrer: Hi Jim.

Jim McIlree: Have you received any questions or comments or suggestions or direction from the FDA on the modified risk application?

Henry Sicignano: We have not received questions or comments, but it is our understanding that the application has been circulated for review and that the agency is in the process of assembling a response that we should receive between now and the end of the year.

Jim McIlree: And so that response would be a decision or that response would be that, you know, some suggestions or questions they are asking you for clarification on the aspect of the application.

Henry Sicignano: To be perfectly honest, it could be either. We are certainly hoping and we are optimistic that it is going to be not only a decision, but a positive decision. But I certainly cannot guarantee that and the agency has the discretion to ask any number of questions that it sees fit. But, as you know, our application essentially is requesting permission to market BRAND A as a reduced exposure -- to nicotine -- product and we feel very confident that our application has in fact proven that BRAND A has 95% less nicotine than conventional brands.

Jim McIlree: Right, right, I got it, okay. The eight new customers that you said have signed up for contract manufacturing, when would you be generating revenue for those customers? Is that this quarter or next quarter or when?

Henry Sicignano: As we have disclosed in our Form 10-Q and in the press release, we do not expect revenues from these customers until 2017 and at staggered points throughout 2017. Each of these customers will need to work off existing packaging and existing tobaccos that they have with other suppliers. But as these new regulations are actually coming into play and as we have all the filings done for these new customers, we will begin to manufacture products for each of them.

Jim McIlree: Can you talk a little bit about BAT? It seems strange that if the World Health Organization and the FDA are intrigued with low nicotine, so why would not BAT be more aggressive in their relationship with you.

Henry Sicignano: Yes, and without divulging non-public information, I can suggest to you that Big Tobacco companies generally are not quick to embrace low nicotine tobaccos because very low nicotine tobaccos give consumers a choice of smoking a product that can help them break their addiction to the product.

So speaking generally and not specifically about BAT, Big Tobacco companies are actually more interested in higher nicotine tobaccos, not to deliver more nicotine to consumers but to deliver the nicotine more efficiently and/or to create products that are potentially less harmful than conventional cigarettes and/or to help them with blending of their very large tobacco inventories. So, I think speaking generally about Big Tobacco, our high nicotine tobaccos are of most interest.

The very low nicotine tobaccos are certainly of interest among the Big Tobacco companies as well, but their interest here is on reduced risk products in certain countries where regulators might be requiring such products... Is that helpful to you?

Jim McIlree: Okay. Yes it is. I think you kind of danced around what is happening with BAT, which is really what I am asking.

Henry Sicignano: With BAT, we have quarterly updates. We are in communication. They are doing a lot of work with our technology. They have made progress on both low nicotine and high nicotine tobacco and I really cannot say a lot more publicly, although I guess I would be shocked, Jim, if BAT did not commercialize our technology. And your next question is going to be when and I am not going to comment on when.

Jim McIlree: Okay, well thanks for saving my time on that one.

Henry Sicignano: Sure! No problem.

Jim McIlree: I think that is it. I think I will let the next caller go ahead. Thanks a lot Henry. We will talk to you later.

Henry Sicignano: Thank you, Jim.

Operator: Thank you. We'll go next to Donald Thomp, a private investor. Your line is open.

Donald Thomp: Yes thank you for taking the call. Can you hear me okay?

Henry Sicignano: Certainly. Thank you.

Donald Thomp: Yes, my question concerns the introduction that happened some months ago with regard to a viewed estimates made thereafter I think. Are there sales continuing in Spain?

Henry Sicignano: I apologize I think you were cutting in and out. But I think what you were asking is what is the status of the product in Spain? And if I am correct, I will address that question. There are still sales in Spain and we did not recall the products, but as we have announced publicly, we decided to reconfigure the cigarette with the new patented CeIFX filter. And we had thought about introducing that product at the beginning of the summer, but due to the fact that the Europeans essentially take the summer off, the summer seems to be a difficult time to relaunch products. So, we have decided to relaunch the CeIFX filter MAGIC product in September along with the French launch.

Henry Sicignano: Did I answer your question?

Donald Thomp: Okay excellent. Thank you very much.

Henry Sicignano: Okay.

Operator: Thank you. We will go now to a private investor Marion Green your line is open.

Marion Green: Yes thank you for taking my call. I wanted to know in the future if it is possible that the two companies will split between the marijuana and the cigarettes?

Henry Sicignano: Well, I guess anything is possible and we have certainly set up separate operating divisions for each of our different business units, but we have no plans or intentions at present to do that.

Marion Green: Okay the other thing -- just curious has anyone tried writing a letter to Obama since he is the one who stopped smoking and loves to smoke?

Henry Sicignano: Well, you know that would be something that I think shareholders should do. That would be something that, Ms. Green that if you were to send him a letter, I think it might have more impact than a letter coming from the Company. You should tell Obama about our technology and about our very low nicotine tobacco cigarettes and you should suggest that he learn more about 22nd Century and contact us to try some.

Marion Green: I certainly will. Thank you.

Henry Sicignano: If that works out and he responds, I will owe you a dinner.

Marion Green: Okay, you will have to come to New York City.

Henry Sicignano: Will do! Thank you very much!

Marion Green: Thank you.

Operator: Thank you and we will go now to Rex Wiggins, a private investor. Your line is open.

Rex Wiggins: Yes Henry, this is Rex. Good job on your verbiage today. I like it. it's been in the company more as a biotechnology company which has been kind of my thinking all along because that's what you are right?

Henry Sicignano: That's right.

Rex Wiggins: I invest exclusively in biotech stocks and now I am up to probably about 30% of my portfolio in your Company. I believe we are in -- and one thing I guess I would stress on here about you -- it seems from your background that you know the ins and the outs of the tobacco people quite well. You hired a guy on the marijuana or cannabis side. It seems to me that I can see some of the people in large tobacco, you know, not necessarily wanting to go into the lower nicotine tobacco and cannibalize their sales because people quit smoking.

I guess I would just ask you guys to consider nosing around some of the bankers, which I know numerous ones and I am sure you probably do too, that know large pharma extremely well. They know of all the business development people quite well. I just find it hard to believe that without some effort that the Company could not attract large pharma and healthcare funds for the Phase III trial. Also large pharma -- let's face it you can say whatever you want -- is going to get things through the FDA quicker than independent companies.

So, I know those guys are hard to pin down but, you know, compared to Chantix. I mean, to me, it looks like the most likely joint venture candidate for the Company is large pharma and not large tobacco. Maybe at the end you can have them outbid each other on an eventual sale of the Company. But I would just consider, you know, hopefully you guys are reaching out because there are a lot of good investment bankers that specialize in doing deals with large pharma. So anyway that's one piece of it.

Henry Sicignano: Well thank you Mr. Wiggins. I agree with you. We are making it a priority to sign a deal with large pharma and Jim Vail is in discussions with several companies. As I have been saying, and I guess none of these things close as quickly as any of us would like, but we are continuing to pursue these opportunities and Jim is travelling around the country and internationally. I cannot wait until we have an exciting announcement to make on one of these conference calls about a strategic partnership.

Rex Wiggins: I know they take time. I guess the only thing I am saying is there are probably at least eight or ten healthcare investment bankers that can speed up that process and it would be a worthwhile expenditure to shareholders to give them their 5% to 7% of the deal. I am not talking about the dirt bag guys that you are with, but I am talking about, you know, I should not say that but, you know, people who really know large pharma and the business development guy will just return their calls and they are a long ways down the road.

But anyway you all are running the ship, but I still think that is the eventual route that you are going to go and that is why I keep increasing my shareholdings base. And you do have multiple shots on goal here to win and I like all of that, but just press on the gas of large pharma because I think that is going to be your ultimate payday is my guess.

Henry Sicignano: Well I appreciate that. We will pursue some new investment banking relationships. Thank you. I appreciate that.

Rex Wiggins: Okay. All right. Good job. Keep it up.

Henry Sicignano: Thank you, Mr. Wiggins.

Operator: And as a reminder if you would like to ask a question, please press Star and 1 on your touch-tone phone. We will go next to Pat Delong, a private investor. Your line is open.

Pat Delong: Yes, can you give us an update on the Crede lawsuit and what is the latest there?

Henry Sicignano: Well, I have to be careful what I say there. I can say that... I can repeat the fact that we think the claims made by Crede against the Company are frivolous and completely without merit. And, as previously announced, we intend to not only vigorously defend against the claims, but we are planning to file counter claims against both Crede and Terren Peizer, personally. We have also given an update in the Form 10-Q and I would point you there for some timeline on what is going on right now in terms of a motion to change venue for one part of the case. And we feel very confident about that motion. So, thus far, the case has gone very, very well for the Company and I guess without getting into too much legal trouble I will just point you to the 10-Q.

Pat Delong: Thank you.

Henry Sicignano: Okay.

Operator: Thank you. We will take our next question from Brett Rosenberg, private investor. Your line is open.

Brett Rosenberg: Hi. Thank you for taking the call. Can you hear me okay?

Henry Sicignano: Yes sir.

Brett Rosenberg: Okay, one of the applications you mentioned with....

Henry Sicignano: I am sorry, but I lost the call. I am sorry sir. I cannot hear you at all now.

Operator: And we will move now to Thomas McCarthy with Raymond James. Your line is open.

Thomas McCarthy: Would you please give us an overview of the competitive landscape especially in terms of other technologies?

Henry Sicignano: Sure, that is a good question. We are the only company in the world that can grow Very Low Nicotine tobacco at levels of 90% to 95% less nicotine than conventional tobacco, which is recognized as an important level by the World Health Organization and by many independent researchers. We are the only company in the world that can do that. Now have other companies reduced nicotine and tobacco chemically or artificially with a process? Yes, actually I believe Philip Morris did that maybe two decades ago with a plant they built in Virginia.

And they came out with a product called NEXT and that reduced-nicotine cigarette had nicotine extracted from it. My understanding is that at that time Philip Morris had purchased General Foods. General Foods was parent to Sanka coffee and so Philip Morris said if they could take the caffeine out of coffee, then why don't we take the nicotine out of tobacco and that could make a great product. So again that was sort of the impetus for the project.

They built a factory for some hundreds of millions of dollars in Virginia and they were successful in being able to reduce the nicotine by stripping the nicotine out of the tobacco. Unfortunately, the cigarette just did not taste good. It was a dismal product in terms of sensory characteristics. That said, the NEXT product generated approximately 1% of the market in terms of sales. So the product was pulled and seen as a failure. Philip Morris does not, I guess, really need products that have just a 1% market share.

They were looking for giant blockbusters. So that company with the NEXT product demonstrates that nicotine can be stripped out of tobacco, but that also demonstrates that the resulting product is simply not satisfactory to consumers. Our tobacco, on the other hand, has the exact same taste and sensory characteristics of conventional tobacco. And I should also mention that if we

were to “fail” and achieve 1% market share, then our Company would be worth well over a billion dollars, up from the \$70 million that it is worth today. So does that give you some idea of the competitive landscape as I see it?

Thomas McCarthy: Sure, sure. Are there other technologies in the works? You are the only one in the world currently who can reduce nicotine that much, but what else is in the works?

Henry Sicignano: To my knowledge, our patent portfolio really makes it virtually impossible for another company to do anything like what we are able to do with the tobacco plant. So, could other companies reduce nicotine maybe 10% or 15%? Sure, that is possible. But what all the independent scientists and researchers have learned is that reducing nicotine by say 10% or 20% does not help a smoker. It actually causes something called compensation where the smoker actually smokes more cigarettes to get the level of nicotine or the dose of nicotine that he or she is accustomed to.

By reducing nicotine levels to below 85% less than conventional tobacco, which comes from that New England Journal of Medicine study... levels below 85% less nicotine, which are only achievable in naturally grown tobacco by 22nd Century and no other company can do that... then only at those levels do smokers quit smoking. The studies show that non-addictive levels of nicotine in tobacco are around 90% to 95% less nicotine than conventional tobacco. We think the magic number is about 95% less nicotine than conventional tobacco, about 4 milligrams per gram. So, I am proud to say that we have a virtual monopoly here because reducing nicotine 10% or 20% just does not do it.

Thomas McCarthy: When do your patents run out?

Henry Sicignano: Well, that is a complicated question. We have a couple of hundred patents in countries all over the world. And so there is a range in dates from I want to say is 2019 to the late 2020s. Is that...correct... Tom?

Thomas James: Our patents last into the 2030s.

Henry Sicignano: Ok, our patents last into the 2030s. Then, in addition to that patent protection, we also have something called plant variety protection on some of our most important plant strains. And this plant variety protection actually protects the plants as opposed to the genetic material in the plants. These very low nicotine plants are protected after the patents expire.

Thomas McCarthy: What is your worldwide patent situation?

Henry Sicignano: Again, it is a complicated matrix, but I can tell you that we have patent coverage in approximately 96 countries on very low nicotine tobacco and on a higher nicotine varieties. That is the best answer that I can give you without a massive spreadsheet with hundreds of columns.

Thomas McCarthy: Sure. I appreciate it very much. Thank you.

Henry Sicignano: Thank you for your interest.

Operator: And once again if you would like to ask a question today, please press the Star and 1 on your touch-tone telephone. We will pause for a moment to allow further questions to queue.

Henry Sicignano: Operator. Operator....

Operator: Yes, yes.

Henry Sicignano: I would like to mention to all callers right now that it has been mentioned or suggested in the past that some folks thought 22nd Century might pre-screen questions or might censor questions. I would like to make it clear that we do not do that and the call is open to any question out there. We do not pre-screen the questions. I have no idea who is going to call and we do not censor any of them. So, I have an open invitation here to all investors and all shareholders. Please do ask whatever questions you have about the Company or our technology.

Operator: Thank you. And we do have a question from Michael Shewcharan from NYC Interchange. Your line is open.

Michael Shewcharan: Yes, Henry. How are you doing?

Henry Sicignano: Very well, thank you. Hi, Michael.

Michael Shewcharan: I have a question. What is your patent strategy worth? You said it was worth like over \$200 million, I think it was?

Henry Sicignano: Well, that is our internal assessment based on comparables generated by a legal software that we have to compare our patents with like patents with similar coverage around the world. So, yes, I did say in court that we believe that our patents are worth in excess of \$200 million and I am going to stick by that estimate.

Michael Shewcharan: All right thank you. That was my question. Thank you. Good work.

Henry Sicignano: Thank you.

Operator: Thank you and once again to ask a question, please press Star and 1. We have a follow-up question from Rex Wiggins, a private investor. Your line is open.

Rex Wiggins: Yes, Henry, one more thing. I want to make a comment and then ask a question. I wanted to congratulate you on the financing. This is no small feat in getting the deal priced at market as opposed to the discount, so congrats on that. And that tells me that whoever the investor was, that you certainly have their ear and they are a big believer, or you would not have been able to price it at that level. But, did I hear you right that you think that with cash on hand and internally generated cash that you do not have further cash needs until May of 2017? Did I hear that correctly?

Henry Sicignano: Yes, there are a couple of assumptions there. One is that we do not receive \$7 million in milestone payments from BAT beforehand because that would obviously extend the period. Or two that we do not engage in any special projects that take more cash than we are projecting at this point. But, that is exactly right. Our estimates are that we have enough cash on hand to last through May of next year. And, you know, to be very honest with you, we did not need to raise money a few weeks ago.

But enough shareholders expressed concern that they were worried that we were going to run out of cash in the Fall or before we had some sort of response about from the FDA about our BRAND A MRTP application. So, frankly, the offer was made by an interested investor who had a history with the Company and we decided it just made sense to take the money at that time.

Rex Wiggins: Oh yes and I completely applaud you for it because you could have raised \$10 million or \$15 million just as easily as the \$5 million. But I applaud you for not diluting us any further and it tells me you have pretty high confidence that something else will happen. But, I am glad to have the extra cash on the balance sheet because as you enter final negotiations with whether it be with big tobacco or a large pharma, if you are running out of cash, then you lose your negotiating power. So, I think it was an excellent move all the way around.

Henry Sicignano: Thank you.

Rex Wiggins: I am glad to hear that - yes - I'm glad to hear that it is good too because I have a high degree of confidence that you will have something pulled off between now and then. So, good luck and keep at it.

Henry Sicignano: Thank you Mr. Wiggins. I appreciate it.

Operator: Thank you. We will go now to Michael Berounsky, a private investor. Your line is open.

Michael Berounsky: Hi Henry. How are you?

Henry Sicignano: Hi, did we lose you earlier?

Michael Berounsky: No.

Henry Sicignano: Oh I am sorry. Okay...

Michael Berounsky: This is my first time calling. I am just curious how are the RED SUN sales doing?

Henry Sicignano: Well, that is a good question. In the markets that we have decided to target and stand behind, which is primarily Portland, Boulder, San Francisco and the top markets of American Spirits and the "hip," opinion-leading markets, all make a lot of sense for RED SUN and there the product is doing well. Now, at the same time, because we are a biotechnology company and because cash is very important to conserve -- before we have a strategic partnership announcement -- we have decided not to aggressively expand in markets all over the country because, frankly, we want to conserve cash.

So, the product is doing very well in the places where we have decided to fight for it and the places that we think American Spirit does very well, but we are not out there actively growing more stores before we have a strategic partner.

Michael Berounsky: Okay, great. Thanks.

Henry Sicignano: Thank you.

Operator: And again if you would like to ask a question, please press Star and 1 on your touch-tone phone. We will take a follow-up question from Pat Delong, a private investor. Your line is open.

Henry Sicignano: Hello.

Operator: And Pat Delong your line is open. Please check your mute function.

Pat Delong: Yes, Henry. Sorry. Can you take me back to the BAT \$7 million milestone payment? What are the times with which they have to commit to that?

Henry Sicignano: Well, I should clarify it is actually not one payment. There are actually four different potential milestone payments from BAT. I believe two of them are \$1.5 million each and two of them are for \$2 million each. Two of those milestone payments relate to the very low nicotine tobacco and two of the payments relate to high nicotine tobacco. And the research period that BAT is currently in... ends at the end of September 2017. So those milestone payments, if they are paid, would be paid anytime between now and the end of September 2017.

Before the end of September 2017, BAT has the option to commercialize the technology and then move into the commercial license that has very different terms without research milestones.

Pat Delong: Okay, thank you very much.

Operator: And I am showing that we have no further questions today. I would like to return the call to our presenters for any closing remarks.

Henry Sicignano: I will just say thank you very much to everyone who participated on the call. Mr.

Wiggins, I think he reported that he had 30% of his portfolio in our stock. While that seems high, that speaks to the confidence and the excitement that many of our investors have shown. As we had mentioned in our press releases and in the Form 10-Q, our most recent financing was completed with an existing institutional investor and it seems that those who know our Company best have made the biggest investments in 22nd Century stock and that is something I am very proud of. I am very proud to say that my family and my friends are heavily invested in 22nd Century.

And, once again, those people who know us and those who truly understand our technology have made substantial investments and I am very confident that we will all be handsomely rewarded.

So thank you to all of our investors and thank you to everyone who participated on the call. We will look forward to updating you in the weeks and months to come with news as we have it.

Thank you.

Operator: This does conclude today's program. Thank you for your participation. You may disconnect at any time.

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