



**GENERAL CANNABIS, INC.**  
a Nevada corporation

**Quarterly Report**  
**For the Quarter ended June 30, 2011**

**Information Provided Pursuant to**  
**Rule 15c2-11 of the Securities and**  
**Exchange Act of 1934, as Amended**

**We previously were a shell company, therefore the exemption offered pursuant to Rule 144 is not available. Anyone who purchased securities directly or indirectly from us or any of our affiliates in a transaction or chain of transactions not involving a public offering cannot sell such securities in an open market transaction unless and until such time as the resale of such securities is included in an effective registration statement.**

## **QUARTERLY REPORT**

Current Information Regarding

### **GENERAL CANNABIS, INC.**

The following information is provided as to General Cannabis, Inc. (referred to as “we,” “us,” “our,” the “Issuer” or the “Company”). This information is provided pursuant to the Guidelines for Providing Adequate Current Information created by OTC Markets Group, Inc., and is intended by the Issuer to be in compliance with Rules 10b-5 and 15c2-11 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 144 of the Securities Act of 1933 (the “Securities Act”).

**Item 1            The exact name of Issuer and the address of its principal executive offices.**

Issuer:                            General Cannabis, Inc.

Predecessor Entities:    LC Luxuries Limited – from January 29, 2010 to November 5, 2010.

Makeup.com Limited – from November 21, 2006 to January 29, 2010.

Tora Technologies Inc. – from Inception (July 14, 2003) to November 21, 2006.

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[www.weedmaps.com](http://www.weedmaps.com)  
[www.cannacenters.com](http://www.cannacenters.com)  
[www.safeaccessmd.com](http://www.safeaccessmd.com)  
[www.cannabiscenters.com](http://www.cannabiscenters.com)

Investor relations inquiries should be addressed to the issuer at the address above, or telephone (888) 693-5219, or to:

Financial Profiles, Inc.  
11601 Wilshire Boulevard, Suite 1920  
Los Angeles, CA 90025  
Phone (916) 939-7285  
Attn: Tricia Ross

**Item 2**            **Shares outstanding.**

Common Stock

At all times below, our authorized common stock was 200,000,000 shares, par value \$0.001.

As of the end of our most recent fiscal quarter ended June 30, 2011, we had 83,140,256 shares of common stock issued and outstanding, held by 53 shareholders, beneficially and of record. Of those 83,140,256 shares of common stock, 4,726,442 were free trading.

As of the end of our most recent fiscal year ended December 31, 2010, we had 82,640,256 shares of common stock issued and outstanding, held by 38 shareholders, beneficially and of record. Of those 82,640,256 shares of common stock, 4,726,442 were free trading.

As of the end of our fiscal year ended December 31, 2009, we had 9,733,442 shares of common stock issued and outstanding, held by 15 shareholders, beneficially and of record. Of those 9,733,442 shares of common stock, 1,473,403 were free trading.

Preferred Stock

Beginning on November 19, 2010, we were authorized to issue 20,000,000 shares of preferred stock, par value \$0.001. No shares of preferred stock are or have been issued or outstanding.

**Item 3**            **Interim financial statements.**

Attached hereto as Exhibit A, and incorporated herein by reference, is an unaudited balance sheet as of June 30, 2011, an audited balance sheet as of December 31, 2010, and unaudited statements of operations and cash flows for the three and six months ended June 30, 2011 and 2010.

**Item 4**            **Management's discussion and analysis or plan of operation.**

**Disclaimer Regarding Forward Looking Statements**

You should read the following discussion in conjunction with our financial statements and the related notes and other financial information included in this Quarterly Report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report.

Although the forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual

results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

### **Summary Overview**

We are a service provider to the medicinal cannabis industry. We are not engaged in the growing, harvesting, cultivation, possession, or distribution of cannabis. Instead, we assist the physicians, dispensaries, and end-users in the medicinal cannabis industry in finding each other and in advertising their businesses. All of our operations are conducted through our wholly-owned subsidiaries.

Approximately 78% of our 2011 revenue is generated by WeedMaps Media, Inc., which is a finder website that aids consumers in finding medicinal cannabis dispensaries. The dispensaries pay a fee to WeedMaps Media in order to post, on WeedMaps.com, their dispensary information.

Approximately 20% of our 2011 revenue is generated by General Health Solutions, Inc. which, through a contractual arrangement with a professional medical corporation, manages medical cannabis clinics.

In February 2010, we sold most of our then-existing domain names and intellectual property to a third party, although we did continue to manage our third-party merchant card services.

### *Going Concern*

As a result of our financial condition at December 31, 2010, we had received a report from our independent registered public accounting firm for our financial statements for the year ended December 31, 2010 that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. In order to continue as a going concern we must effectively balance many factors and continue to generate revenues sufficient to fund our operations. If we are not able to do this we may not be able to continue as an operating company. There is no assurance that our existing cash flow will continue at its existing rate. Should it decrease, then we may not be able to adequately satisfy our operating expenses and capital requirements.

### *Reliance on Strategic Partners*

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. A cancellation of our relationship with one or more of these groups may have a negative impact on the company. We expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm us in a number of ways, including:

- we could lose strategic relationships if our strategic partners are acquired by or enter into relationships with a competitor (which could cause us to lose access to distribution, content, technology and other resources);
- The relationship between us and the strategic partner may deteriorate and cause an adverse effect on our business;
- we could lose customers if competitors or users of competing technologies consolidate with our current or potential customers; and
- our current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put us at a competitive disadvantage, which could cause us to lose customers, revenue and market share. Consolidation could also force us to expend greater resources to meet new or additional competitive threats, which could also harm our operating results.

Our operations are in part dependent upon the continued reliable operation of the information systems and networks of third parties. If these third parties do not provide reliable operation, our ability to service our customers will be impaired and our business, reputation and operating results could be harmed.

### **Three and Six Months Ended June 30, 2011 compared to the Three and Six Months Ended June 30, 2010**

During the year ended December 31, 2010, we completed two acquisitions that significantly increased our revenue and our operations. The acquisitions are operated now as WeedMaps Media, Inc. and General Health Solutions, Inc.

During the three months ended March 31, 2011, we completed another acquisition which is operated now as General Marketing Solutions, Inc.

### **Results of Operations**

#### Revenue and Operating Expenses

Our sales, total revenue, total operating expenses and operating income for the three and six months ended June 30, 2011, compared to the three and six months ended June 30, 2010, were as follows:

	6 Months Ended <u>June 30, 2011</u>	3 Months Ended <u>June 30, 2011</u>	6 Months Ended <u>June 30, 2010</u>	3 Months Ended <u>June 30, 2010</u>
Sales	\$ 6,255,926	\$ 3,562,623	\$ 3,536,505	\$ 1,798,542
Total revenue	6,255,926	3,562,623	3,536,505	1,798,542
Total operating expenses	5,946,061	3,268,689	3,240,482	1,741,212
Operating income (loss)	\$ 174,084	\$ 170,264	\$ 289,234	\$ 50,541

The increase in sales, from \$1,798,542 for the three months ended June 30, 2010 to \$3,562,623 for the three months ended June 30, 2011, an increase of 98%, and from \$3,536,505 for the six months ended June 30, 2010 to \$6,255,926 for the

six months ended June 30, 2011, an increase of 77%, is primarily attributable to a significant increase in our listing fee revenue generated by our subsidiary, WeedMaps Media, Inc., which is a result of an increase in the number of customers and an increase in the number of 'listing packages' offered to customers, and to a lesser extent, an increase in number of medicinal cannabis clinics for which our subsidiary, General Health Solutions, Inc., provides, through a contractual arrangement with a medical corporation, administrative, marketing and human resources services.

WeedMaps Media, Inc., which is a medical-cannabis industry-focused, marketing and media company, had revenues of \$2,912,981 and \$4,919,536 for the three and six months ended June 30, 2011, respectively, and \$636,895 and \$1,067,066 for the three and six months ended June 30, 2010, respectively

General Health Solutions, Inc., which through a contractual arrangement with a professional medical corporation, manages medical cannabis clinics, had revenues of \$916,490 and \$1,826,533 for the three and six months ended June 30, 2011, respectively, and \$1,105,393 and \$2,370,205 for the three and six months ended June 30, 2010, respectively.

Our operating expenses as a percentage of sales decreased from 97% for the three months ended June 30, 2010, to 92% for the three months ended June 30, 2011, and increased from 92% for the six months ended June 30, 2010 to 98% for the six months ended June 30, 2011. This is a result of hiring technology specialists for our research and development department. Specifically, this includes the retention of additional coders, programmers and engineers whose responsibilities include, but are not limited, to developing software and additional finder sites. In addition, we have recently hired media related personnel for the creation of pre and post video production.

The increase in operating expenses, from \$1,741,212 for the three months ended June 30, 2010 to \$3,268,689 for the three months ended June 30, 2011, an increase of 88%, and from \$3,240,482 for the six months ended June 30, 2010 to \$5,946,061 for the six months ended June 30, 2011, an increase of 83%, is also attributable, almost exclusively, to support our efforts to expand our operations during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, which was accompanied by increases in salaries and employee benefits, increases in professional fees which included fees for legal and accounting work as well as expenses related to our Securities and Exchange Commission filings and for fees paid to consultants related to business development, investor relations, sales contract work, increases in general and administrative expenses primarily attributable to non-cash amortization expense associated with our recent acquisitions, and expenses associated with moving into our new offices and the associated leasehold improvements and purchases of office furniture and equipment. Non-cash amortization expense was \$737,000 during the six months ended June 30, 2011 as compared to \$1,000 during the six months ended June 30, 2010. The significant increase in non-cash amortization expense is associated with our recent acquisitions.

Our operating expenses as a percentage of sales decreased from 97% for the three months ended June 30, 2010, to 92% for the three months ended June 30, 2011,

and increased from 92% for the six months ended June 30, 2010 to 98% for the six months ended June 30, 2011.

Although our revenue increased by 77% during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, the increase in our operating expenses of 83% during the same period resulted in a decrease in our operating income from \$289,294 for the six months ended June 30, 2010 to \$174,263 for the six months ended June 30, 2011, a decrease of 40%. However, our revenues increased by 98% for the three months ended June 30, 2011, as compared to the three months ended June 30, 2010, while our operating expenses increased only 88% during the same period, resulting in an increase in our operating income from \$50,541 to \$170,264, an increase of 237%.

*Income (loss) from Discontinued Operations; Net Income*

Our income from discontinued operations and net income for the three and six months ended June 30 2011, compared to the three and six months ended June 30, 2010, were as follows:

	6 Months Ended June 30, 2011	3 Months Ended June 30, 2011	6 Months Ended June 30, 2010	3 Months Ended June 30, 2010
Income from discontinued operations	\$ -	-	\$ 1,264,225	(88,366)
<b>Net income</b>	<b>\$ 174,263</b>	<b>170,264</b>	<b>\$ 1,553,519</b>	<b>(37,772)</b>

Our income from discontinued operations for the three and six months ended June 30, 2011 was zero, compared to \$(88,366) for the three months ended June 30, 2010 and \$1,264,225 for the six months ended June 30, 2010. The discontinued operations were from our subsidiary LV Luxuries Limited and involved the sale of beauty products through the Internet.

**Liquidity and Capital Resources**

Our cash, current assets, intangible assets, total assets, current liabilities, and total liabilities as of June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011 (unaudited)	December 31, 2010 (audited)	Percentage Change
Cash	\$ 1,337,720	1,395,213	(4%)
<b>Total current assets</b>	<b>1,896,458</b>	<b>3,266,220</b>	<b>(42%)</b>
<b>Intangible assets:</b>			
Contracts and customer lists	21,278,027	21,984,576	(3%)
Internet properties & domain names	10,046,583	9,444,582	6%
Trademarks	29,322	29,322	-
Goodwill	28,198,748	27,712,345	2%

Total intangible assets	59,552,680	59,170,825	<1%
Total assets	61,984,261	63,339,247	(2%)
Total current liabilities	502,838	1,324,737	(62%)
Total long term liabilities	3,580,000	4,500,000	(20%)
Total liabilities	4,082,838	5,824,737	(30%)

The nominal decrease in cash from \$1,395,213 at December 31, 2010 to \$1,337,720 at June 30, 2011, a decrease of \$57,493, is a result of our positive operating income and net income for both the three and six month period ended June 30, 2011.

Our intangible assets at June 30, 2011 consist almost entirely of assets acquired in the previously discussed Weedmaps, Synergistic Resources, and Revyv acquisitions. The assets consist primarily of contracts, customer lists, Internet properties and domains, and trademarks. These assets are necessary for our growth. The balance is goodwill which represents the premium paid for the acquisitions.

Our current liabilities decreased from \$1,324,737 at December 31, 2010 to \$502,838 at June 30, 2011, primarily as a result of a decrease in accrued liabilities arising from the termination of the three-year Consulting Agreement entered into by the Company and Douglas Francis, our President. See Note 3 Other Current Assets in the Footnotes to the Financial Statements for information regarding the Employment Agreement entered into by the Company and Mr. Francis contemporaneously with the Termination Agreement.

Our total long term liabilities decreased from \$4,500,000 at December 31, 2010 to \$3,580,000 at June 30, 2011, is primarily as a result of a decrease in long term liabilities arising from the termination of the three-year Consulting Agreement entered into by the Company and Douglas Francis and to payments on notes payables to related parties. See Note 3 Other Current Assets in the Footnotes to the Financial Statements for information regarding the Employment Agreement entered into by the Company and Mr. Francis contemporaneously with the Termination Agreement.

#### Cash Requirements

We had approximately \$1,335,000 in cash and cash equivalents as of June 30, 2011. Our operating income for the three months ended June 30, 2011 was \$170,264. We anticipate that our revenues will continue to increase and that our revenues will continue to be enough to fund our existing operations. However, there is no assurance that our existing cash flow will continue to be adequate to satisfy our operating expenses and capital requirements.

## Sources and Uses of Cash

### *Operations*

We had net cash from operating activities of \$1,326,378 for the six months ended June 30, 2011, as compared to \$1,030,297 for the six months ended June 30, 2010. For the six months ended June 30, 2011, the net cash provided by operating activities consisted primarily of net income of \$174,263, a decrease in accounts payable and accrued liabilities of \$821,899, an expenditure on inventories of \$139,803, an increase in prepaid expenses and deposits of \$1,387,094, plus non-cash amortization expense of \$734,427. For the six months ended June 30, 2010, the net cash provided by operating activities consisted primarily of net income (including discontinued operations) of \$1,553,519, offset by a decrease in accounts payable and accrued liabilities of \$545,885.

### *Investments*

We had net cash from (used in) investing activities of \$(463,871) for the six months ended June 30, 2011, as compared to \$319,329 for the six months ended June 30, 2010. For the six months ended June 30, 2011, the net cash used in investing activities was primarily related to purchases of furniture and computers and other equipment of \$353,835, plus purchases of intangible assets of \$110,036. For the six months ended June 30, 2010, the net cash from investment activities was primarily a result of sales of intangible assets of \$329,580.

### *Financing*

We had net cash used in financing activities of \$(920,000) for the six months ended June 30, 2011, as compared to \$(1,068,275) for the six months ended June 30, 2010. For the six months ended June 30, 2011, our net cash used in financing activities consisted solely of payments on note payable to related parties. For the six months ended June 30, 2010, our net cash used in financing activities consisted of proceeds received on convertible notes of \$14,770, offset by payments on convertible notes to related party of \$(644,815) and payments on note payable to related party of \$(438,230).

## Debt Instruments, Guarantees, and Related Covenants

We have no disclosure required by this Item.

## Critical Accounting Estimates

### *Goodwill*

In accordance with Goodwill and Other Intangible Assets, goodwill is defined as the excess of the purchase price over the fair value assigned to individual assets acquired and liabilities assumed and is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the Company's fourth fiscal quarter or more frequently if indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair value of the

Company's reporting units with each respective reporting unit's carrying amount, including goodwill. The fair value of reporting units is generally determined using the income approach. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the second step of the goodwill impairment test is performed to determine the amount of any impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. No amortization is recorded for goodwill with indefinite useful life. No impairment of Goodwill was recognized during the six months ended June 30, 2011 and 2010, respectively.

#### *Intangible Assets*

In accordance with Goodwill and Other Intangible Assets, intangible assets that are determined not to have an indefinite useful life are subject to amortization. The Company amortizes intangible assets using the straight-line method over their estimated useful lives.

#### *Impairment of Long-Lived and Intangible Assets*

In accordance with Accounting for the Impairment or Disposal of Long-Lived Assets, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Company assesses the recoverability of the long-lived and intangible assets by comparing the carrying amount to the estimated future undiscounted cash flow associated with the related assets. No impairment of long-lived assets was recognized during the six months ended June 30, 2011 and 2010, respectively.

#### **Item 5            Legal proceedings.**

There is no current, past, pending or threatened legal proceedings or administrative actions either by or against us that could have a material effect on our business, financial condition, or operations. Furthermore, there are no current, past or pending trading suspensions by a securities regulator.

#### **Item 6            Defaults upon senior securities.**

We are not in default on any note, loan, lease, or other indebtedness or financing arrangements requiring us to make payments.

#### **Item 7            Other information.**

##### **1.            Entry into a Material Definitive Agreement.**

On August 1, 2011, we entered into an at-will Employment Agreement with Douglas Francis, our President and a member of our Board of Directors. Mr. Francis' employment is effective as of April 1, 2011. Under the terms of the agreement, his compensation is thirty thousand dollars (\$30,000) per month. In the event of termination of the agreement for a reason other than for cause, Mr.

Francis will be entitled to severance equal to eighteen (18) months of compensation. See also Termination of a Material Definitive Agreement, below.

On August 1, 2011, we entered into an at-will Employment Agreement with James Pakulis, our Chief Executive Officer and Chairman of our Board of Directors. Mr. Pakulis' employment is effective as of August 1, 2011. Under the terms of the agreement, his compensation is thirty thousand dollars (\$30,000) per month. In the event of termination of the agreement for a reason other than for cause, Mr. Pakulis will be entitled to severance equal to eighteen (18) months of compensation.

**2. Termination of a Material Definitive Agreement.**

On August 1, 2011, we entered into a Termination of Consulting Agreement with Douglas Francis, our President and a member of our Board of Directors, which terminated, effective as of April 1, 2011, his Consulting Agreement with us dated as of November 19, 2010, with no further amounts due under the Consulting Agreement. See also Entry into a Material Definitive Agreement, above.

**3. Completion of Acquisition or Disposition of Assets, Including but not Limited to Mergers.**

There have been no events which are required to be reported under this Item.

**4. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of an Issuer.**

There have been no events which are required to be reported under this Item.

**5. Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.**

There have been no events which are required to be reported under this Item.

**6. Costs Associated with Exit or Disposal Activities.**

There have been no events which are required to be reported under this Item.

**7. Material Impairments.**

There have been no events which are required to be reported under this Item.

**8. Sales of Equity Securities.**

There have been no events which are required to be reported under this Item.

**9. Material Modification to Rights of Security Holders.**

There have been no events which are required to be reported under this Item.

**10. Changes in Issuer's Certifying Accountant.**

There have been no events which are required to be reported under this Item.

**11. Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.**

There have been no events which are required to be reported under this Item.

**12. Changes in Control of Issuer.**

There have been no events which are required to be reported under this Item.

**13. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

There have been no events which are required to be reported under this Item.

**14. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

There have been no events which are required to be reported under this Item.

**15. Amendments to the Issuer's Code of Ethics, or Waiver of a Provision of the Code of Ethics.**

There have been no events which are required to be reported under this Item.

**Item 8 Exhibits.**

**Material Contracts.**

- 10.21 Termination of Consulting Agreement with Douglas Francis dated August 1, 2011
- 10.22 Employment Agreement with Douglas Francis dated August 1, 2011
- 10.23 Employment Agreement with James Pakulis dated August 1, 2011

**Articles of Incorporation and Bylaws:**

There are no exhibits of this type that have not already been described or attached in a prior disclosure statement.

**Item 9**      **Issuer's Certifications:**

<u>Exhibit No.</u>	<u>Description</u>
C-1	Chief Executive Officer Certification
C-2	Chief Financial Officer Certification

Dated this 14th day of August, 2011, at Newport Beach, California.

General Cannabis, Inc.,  
a Nevada corporation

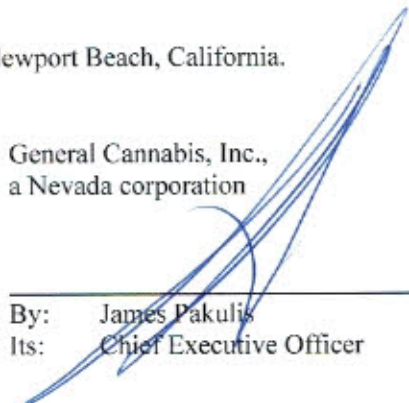
\_\_\_\_\_  
By:    James Pakulis  
Its:    Chief Executive Officer

**Item 9 Issuer's Certifications:**

<u>Exhibit No.</u>	<u>Description</u>
C-1	Chief Executive Officer Certification
C-2	Chief Financial Officer Certification

Dated this 14th day of August, 2011, at Newport Beach, California.

General Cannabis, Inc.,  
a Nevada corporation

By:  James Pakulis  
Its: Chief Executive Officer

**GENERAL CANNABIS, INC.**  
**Consolidated Balance Sheets**  
**June 30, 2011 and December 31, 2010**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,337,720	\$ 1,395,213
Accounts receivable	36,383	7,531
Inventories	139,803	—
Other current assets	382,552	1,863,476
Total current assets	<u>1,896,458</u>	<u>3,266,220</u>
Property and equipment, net	<u>334,889</u>	<u>2,202</u>
Intangible assets, net:		
Contracts & customer lists	21,278,027	21,984,576
Internet properties & domain names	10,046,583	9,444,582
Trademarks	29,322	29,322
Goodwill	28,198,748	27,712,345
Other assets	200,234	900,000
<b>TOTAL ASSETS</b>	<b><u>\$ 61,984,261</u></b>	<b><u>\$ 63,339,247</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 124,648	\$ 128,144
Accrued liabilities	253,190	1,071,593
Note payable	<u>125,000</u>	<u>125,000</u>
Total current liabilities	502,838	1,324,737
Long term liabilities:		
Other accrued liabilities	—	900,000
Note payable – related party	<u>3,580,000</u>	<u>3,600,000</u>
Total long term liabilities	<u>3,580,000</u>	<u>4,500,000</u>
<b>TOTAL LIABILITIES</b>	<b>4,082,838</b>	<b>5,824,737</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$0.001 par value: 20,000,000 shares authorized; zero shares issued and outstanding as of June 30, 2011; zero shares issued and outstanding as of December 31, 2010;	—	—
Common stock, \$0.001 par value: 200,000,000 shares authorized; 83,140,256 shares issued and outstanding as of June 30, 2011; 82,640,256 shares issued and outstanding as of December 31, 2010;	83,140	82,640
Capital in excess of par value	62,893,001	62,680,851
Accumulated deficit	<u>(5,074,718)</u>	<u>(5,248,981)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>57,901,423</u></b>	<b><u>57,514,510</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 61,984,261</u></b>	<b><u>\$ 63,339,247</u></b>

See accompanying notes to consolidated financial statements.

**GENERAL CANNABIS, INC.**  
**Consolidated Statements of Income**  
**(Unaudited)**

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Net sales	\$ 3,562,623	\$ 1,798,542	\$ 6,255,926	\$ 3,536,505
Cost of sales	<u>123,670</u>	<u>6,789</u>	<u>135,781</u>	<u>6,789</u>
<b>GROSS PROFIT</b>	3,438,953	1,791,753	6,120,145	3,529,716
Selling, general and administrative expenses	<u>3,268,689</u>	<u>1,741,212</u>	<u>5,946,061</u>	<u>3,240,482</u>
Operating income	170,264	50,541	174,084	289,234
Other income	<u>—</u>	<u>53</u>	<u>179</u>	<u>60</u>
<b>INCOME BEFORE INCOME TAXES</b>	170,264	50,594	174,263	289,294
Income from discontinued operations	<u>—</u>	<u>(88,366)</u>	<u>—</u>	<u>1,264,225</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 170,264</u>	<u>\$ (37,772)</u>	<u>\$ 174,263</u>	<u>\$ 1,553,519</u>
<b>Weighted average shares outstanding</b>	83,131,228	9,733,442	83,131,228	9,733,442
<b>Basic and Diluted per share amounts:</b>				
Continuing operations	-	0.01	-	0.03
Discontinued operations	-	(0.01)	-	0.13
Net income	-	-	-	0.16

See accompanying notes to consolidated financial statements.

**GENERAL CANNABIS, INC.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Six Months Ended</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 174,263	\$ 1,553,519
Adjustments to reconcile net income to net cash from operating activities:		
Interest expense - non-cash	—	59,600
Depreciation	21,148	5,541
Amortization	734,427	1,084
Changes in operating assets and liabilities:		
Accounts receivable	(28,852)	(2,502)
Inventories	(139,803)	—
Prepaid expenses and deposits	1,387,094	(54,575)
Accounts payable and accrued liabilities	(821,899)	(545,885)
Other assets	—	13,515
<b>Net cash from operating activities</b>	<b>1,326,378</b>	<b>1,030,297</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(353,835)	(10,251)
Purchases of intangible assets	(110,036)	
Sales of intangible assets	—	329,580
<b>Net cash from (used in) investing activities</b>	<b>(463,871)</b>	<b>319,329</b>
<b>Cash flows from financing activities:</b>		
Payments on convertible notes	—	14,770
Payments on convertible note related party	—	(644,815)
Payments on note payable - related party	(920,000)	(438,230)
<b>Net cash used in financing activities</b>	<b>(920,000)</b>	<b>(1,068,275)</b>
Net increase (decrease) in cash and cash equivalents	(57,493)	281,351
Cash and cash equivalents at beginning of period	1,395,213	48,131
Cash and cash equivalents at end of period	1,337,720	329,482
Non-cash investing and financing activity:		
Acquisition of intangible assets for stock	1,000,000	—

See accompanying notes to consolidated financial statements.

**GENERAL CANNABIS, INC.**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**June 30, 2011**  
**(Unaudited)**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
BALANCES, December 31, 2009	—	—	9,733,442	\$ 9,733	\$ 3,501,893	\$ (6,454,459)	\$ (2,942,833)
Issuance of common stock			72,881,814	72,882	39,986,823		40,059,705
Paid in capital, goodwill					18,336,498		18,336,498
Interest expense, beneficial conversion feature					13,517		13,517
Stock based compensation			25,000	25	49,975		50,000
Stock based compensation - warrants					792,145		792,145
Net income from discontinued operations						1,350,400	1,350,400
Net loss from continuing operations						(149,768)	(149,768)
BALANCES, December 31, 2010	—	—	82,640,256	\$ 82,640	\$ 62,680,851	\$ (5,253,827)	\$ 57,509,664
Issuance of common stock			500,000	500	999,500		1,000,000
Prior period adjustment, Revyv, LLC acquisition						4,846	4,846
Paid in capital, Revyv, LLC acquisition					4,295		4,295
Stock based compensation - warrants					(791,645)		(791,645)
Net income from continuing operations						174,263	174,263
BALANCES, June 30, 2011	—	—	83,140,256	\$ 83,140	\$ 62,893,001	\$ (5,074,718)	\$ 57,901,423

See accompanying notes to consolidated financial statements.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

**NOTE 1 GENERAL**

**Nature of Business:**

General Cannabis, Inc., together with its wholly owned subsidiaries (hereinafter collectively referred to as the “Company”) is engaged in providing a variety of services to the medicinal cannabis industry. The Company provides services in five different sectors: media, technology, medical clinic management, merchant credit card processing, and marketing. The Company is not engaged in the growing, harvesting, cultivation, possession, or distribution of cannabis. Instead, the Company assists the physicians, dispensaries, and end-users within the medicinal cannabis industry in finding each other and in managing their businesses. General Cannabis, Inc. was formed on July 14, 2003 in the State of Nevada as Tora Technologies, Inc. On November 21, 2006, it changed its name to Makeup.com Limited, and on January 29, 2010, changed its name again to LC Luxuries Limited. Finally, on November 5, 2010, the company changed its name to General Cannabis, Inc.

**The Medicinal Cannabis Industry**

Sixteen states, plus the District of Columbia, have adopted laws that exempt patients from state criminal penalties who use medicinal cannabis under a physician’s supervision. These are collectively generally referred to as the states that have de-criminalized medicinal cannabis, although there is a subtle difference between de-criminalization and legalization, and each state’s laws are different. The states are as follows (in alphabetical order):

- Alaska,
- Arizona,
- California,
- Colorado,
- Delaware
- District of Columbia,
- Hawaii,
- Maine,
- Michigan,
- Montana,
- Nevada,
- New Jersey,
- New Mexico,
- Oregon,
- Rhode Island,
- Vermont, and
- Washington.

Medical cannabis decriminalization is generally referred to as the removal of all criminal penalties for the private possession and use of cannabis by adults, including cultivation for personal use and casual, nonprofit transfers of small amounts. Legalization is generally referred to as the development of a legally controlled market for cannabis, where consumers purchase from a safe, legal, and regulated source.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug, which is viewed as highly addictive and having no medical value. Under the First Amendment, doctors may recommend cannabis for medical use; however, under federal law, they may not prescribe cannabis for medical use. In 2010, the United States Veterans Affairs Department clarified that veterans using medicinal cannabis will not be denied services or other medications that are denied to those using illegal drugs.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

**Principal Services**

The Company's principal services are offered through the following wholly owned subsidiaries.

*WeedMaps Media, Inc.*

WeedMaps Media, Inc. is our wholly-owned subsidiary, and its primary operation is the internet website, [www.weedmaps.com](http://www.weedmaps.com). Weedmaps.com is an online finder site service that allows patients to find local medical cannabis dispensaries, which are also referred to as collectives. Dispensaries are locations where patients who have received letters of recommendation from a health care provider can purchase medicinal cannabis, as well as a variety of other non-cannabis related items including, but not limited to, apparel accessories, posters, bumper stickers, concert tickets, books and musical CD's.

*General Health Solutions, Inc.*

General Health Solutions, Inc. (CannaCare.com) is our wholly-owned subsidiary, and through a contractual arrangement with a professional medical corporation, manages medical cannabis clinics. The fourteen medical clinics managed by General Health Solutions are all located throughout California. Individuals that believe they may benefit from medical cannabis schedule a doctor's appointment at one of the fourteen clinics throughout the state to be seen by a California licensed physician. After the medical evaluation, if the physician believes the patient suffers from any of the symptoms or ailments as defined by law, the physician provides the patient a Letter Of Recommendation ("LOR"). The "LOR" allows the patient to visit an independent dispensary, and after their "LOR" is verified, the patient is permitted to enter the dispensary and purchase any number of cannabis and non-cannabis related products.

*General Marketing Solutions, Inc.*

General Marketing Solutions, Inc. is our wholly-owned subsidiary, and its primary operation is the internet website, [www.cannabiscenters.com](http://www.cannabiscenters.com). Though primarily in the development stage, the website aids prospective patients in finding physicians across the country that support and recommend medicinal cannabis. There is a patient verification system which verifies the authenticity of the patient's Letter Of Recommendation. This is an internal control system designed to validate the status of a patient to law enforcement, dispensaries and other interested parties, as well as a social media platform for users.

*General Merchant Solutions, Inc.*

General Merchant Solutions, Inc. is our wholly-owned subsidiary, and it provides merchant payment processing services to finder sites, healthcare facilities, automobile, furniture and restaurant establishments. The Company provides credit card terminal access, and credit card processing capabilities through a designated third party. General Merchant requires each client to complete an application which, upon completion, is submitted to the credit card processing company for review. Upon acceptance, General Merchant schedules a time with the client in which we install the credit card processing machine.

*General Management Solutions, Inc.*

General Management Solutions, Inc., is our wholly-owned subsidiary that oversees and provides all of the human resource issues for employees including hiring, terminating, and employee benefits.

*Other Subsidiaries*

We have two additional wholly-owned subsidiaries whose operations are relatively inactive at this time, namely General Processing Corporation, *CannaCare Management, Inc.*, and a third subsidiary, *LV Luxuries Limited*, whose operations have been discontinued. It is contemplated that CannaCare Management, Inc. will provide advisory and consulting services.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

**BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. All intercompany transactions and balances have been eliminated in consolidation. The interim financial information is unaudited, but reflects all normal recurring adjustments that are, in the opinion of management, necessary to fairly present the information set forth herein. The interim financial statements should be read in conjunction with the audited financial statements and related notes submitted on Form S-1 for the year ended December 31, 2010 filed with the Securities and Exchange Commission (the "SEC") on March 1, 2011. Interim results are not necessarily indicative of the results for a full year.

*Reclassifications*

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the consolidated results of operations or financial position for any years presented.

*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on knowledge of current events and anticipated future events and accordingly, actual results may differ from those estimates.

*Foreign Operations and Foreign Currency Transactions*

The Company's functional currency is the United States Dollar (the "US Dollar"). In the past, the Company entered into transactions denominated in foreign currencies, such as the Canadian Dollar ("CAD"). During the six months ended June 30, 2010 and 2011, the Company did not have foreign operations.

*Risks related to cash*

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Cash and Cash equivalents*

The Company considers only highly liquid investments such as money market funds and commercial paper with maturities of 90 days or less at the date of their acquisition as cash and cash equivalents.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

*Fair Value of Financial Instruments*

The accounting standards regarding disclosures about fair value of financial instruments defines financial instruments and required fair value disclosure of those instruments. This accounting standard defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. Receivables, investments, payables, short and long term debt and warrant liabilities qualified as financial instruments. Management believes the carrying amounts of receivables, payables and debt are a reasonable estimate of fair value because of the short period of time between the origination of such instruments, their expected realization, and if applicable, their stated interest rate is equivalent to interest rates currently available. The three levels are defined as follows:

- |         |  |
|---------|--|
| Level 1 | inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.  |
| Level 2 | inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments. |
| Level 3 | inputs to the valuation methodology are unobservable and significant to the fair value.  |

The Company analyzes all financial instruments with features of both liabilities and equity under the accounting standards regarding accounting for certain financial instruments with characteristics of both liabilities and equity, accounting for derivative instruments and hedging activities, accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, and the accounting standard regarding determining whether an instrument (or embedded feature) is indexed to an entity's own stock. The accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. This standard provides a two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for this accounting standard scope exception. All warrants issued by the Company are denominated in U.S. dollars.

*Accounts Receivable*

Accounts receivable are recorded at the invoice amount and do not bear interest.

*Allowance for Doubtful Accounts*

Allowance for doubtful accounts is defined as a Company's estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company does not maintain an allowance for doubtful account based upon management's review of the Company's revenue structure whereby substantially all receivables are confirmed before they are booked as revenue. The Company reviews its allowance for doubtful accounts policy periodically. The Company does not have any off-balance-sheet exposure related to its customers.

*Property and Equipment*

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, generally from three to seven years. Property and equipment at June 30, 2011 and December 31, 2010 are presented net of accumulated depreciation of \$93,145 and \$70,000, respectfully.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

*Goodwill*

In accordance with *Goodwill and Other Intangible Assets*, goodwill is defined as the excess of the purchase price over the fair value assigned to individual assets acquired and liabilities assumed and is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the Company's fourth fiscal quarter or more frequently if indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair value of the Company's reporting units with each respective reporting unit's carrying amount, including goodwill. The fair value of reporting units is generally determined using the income approach. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the second step of the goodwill impairment test is performed to determine the amount of any impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. No amortization is recorded for goodwill with indefinite useful life. No impairment of Goodwill was recognized during the six months ended June 30, 2011 and 2010, respectively.

*Intangible Assets*

In accordance with *Goodwill and Other Intangible Assets*, intangible assets that are determined not to have an indefinite useful life are subject to amortization. The Company amortizes intangible assets using the straight-line method over their estimated useful lives.

*Impairment of Long-Lived and Intangible Assets*

In accordance with *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Company assesses the recoverability of the long-lived and intangible assets by comparing the carrying amount to the estimated future undiscounted cash flow associated with the related assets. No impairment of long-lived assets was recognized during the six months ended June 30, 2011 and 2010, respectively.

*Stock-Based Compensation*

The Company accounts for stock-based compensation in accordance with the provisions of *Share-Based Payment*, which addresses the accounting for equity-based compensation and which requires that the cost of all equity-based compensation arrangements, be reflected in the financial statements over the vesting period based on the estimated fair value of the awards. During the six months ended June 30, 2011 and 2010, the Company had no stock-based compensation expense related to issuances of shares of the Company's common stock to consultants.

*Revenue Recognition*

We recognize revenue in accordance with ASC 605, "*Revenue Recognition*," we recognize as revenue the fees we charge customers as referenced below because persuasive evidence of an arrangement exists, the fees we charge are substantially fixed or determinable during the period that we provide the services, we and our customers understand the specific nature and terms of the agreed upon transactions, collectability is reasonable assured and services have been rendered.

The Company and its wholly owned subsidiaries recognize revenue as follows:

*Listing Fee Revenue* – The Company operates WeedMaps.com and several associated websites, together composing a large scale, medical-cannabis industry focused internet media portal that targets dispensaries, advertisers and consumers, which are estimated by the National Survey on Drug Use and Health to total more than 16.7 million Americans in 2009 and growing. The Company generates revenues from listings on the Company's website. We recognize as revenue the fees we charge customers for listing their related

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
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company on our website. The terms of the listing arrangements with our customers are pursuant to a marketing agreement entered into with each customer pursuant to the terms of which the listing period is on a month-to-month term, listings are prepaid monthly and we do not offer returns, as such, our policy is to recognize revenues on a per-listing fee basis in the month that we provide the listing service.

*Management Fee Revenue* – The Company manages medical cannabis clinics throughout California pursuant to a contractual arrangement with a professional medical corporation. We recognize as revenue the fees we charge the professional medical corporation for providing administrative, marketing and human resources services. Our policy is to recognize revenues during the period that the services are rendered and we do not offer returns.

*Payment Processing Revenue* – The Company also generates revenues by processing payment transactions for our customers. We recognize as revenues commissions charged to merchants on the transactions processed. Our policy is to recognize revenues on a per-transaction basis at the time the payment transaction has been processed.

*Income Taxes*

The Company follows *Accounting for Income Taxes* that requires recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes. During the six months ended June 30, 2011 and 2010, the Company did not record a provision for US income taxes.

The charge for taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Company is currently conducting an analysis of whether our federal and state net operating loss carryforwards (“NOLs”) are subject to a limitation on utilization due to certain ownership change provisions of Section 382 of the Internal Revenue Code (“Section 382”) and similar state provisions. Section 382 imposes a limitation on the amount of income that a corporation may offset with net operating losses and certain other tax attributes following an ownership change.

A portion of our valuation allowance for deferred tax assets of \$20,000 was restored for the quarter ended June 30, 2011, based on our expected utilization of our NOL’s. The Company has maintained a 100% valuation allowance for the remaining deferred tax asset related to these NOL’s until such time that we have completed our study of the effect of Section 382 on the utilization of these NOLs, although we expects to utilize at least a portion of these NOL’s

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
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*Uncertain tax positions*

The Company recognizes uncertain tax positions based on a benefit recognition model. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely of being ultimately realized upon settlement. The tax position is derecognized when it is no longer more likely than not of being sustained. The Company classifies income tax-related interest and penalties as interest expense and SGA expense, respectively, on the Consolidated Statement of Operations. As of June 30, 2011 the Company believes it has no unrecognized uncertain tax positions.

*Advertising Cost*

The Company expenses advertising costs when incurred. Advertising expense for the six months ended June 30, 2011 and 2010 was \$878,000 and \$474,000, respectively.

*Subsequent Events*

During May 2009 and February 2010, the FASB issued new authoritative pronouncement regarding recognized and non-recognized subsequent events. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Company adopted this guidance and it had no impact on the Company's results of operations or financial position.

***Recent Accounting Pronouncements***

In January 2010, FASB issued ASU No. 2010-01- *Accounting for Distributions to Shareholders with Components of Stock and Cash*. The amendments in this Update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share). The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-02 - *Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification*. The amendments in this Update affect accounting and reporting by an entity that experiences a decrease in ownership in a subsidiary that is a business or nonprofit activity. The amendments also affect accounting and reporting by an entity that exchanges a group of assets that constitutes a business or nonprofit activity for an equity interest in another entity. The amendments in this update are effective beginning in the period that an entity adopts *Non-controlling Interests in Consolidated Financial Statements*. If an entity has previously adopted *Non-controlling Interests in Consolidated Financial Statements* as of the date the amendments in this update are included in the Accounting Standards Codification, the amendments in this update are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in this update should be applied retrospectively to the first period that an entity adopted *Non-controlling Interests in Consolidated Financial Statements*. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-06 - *Improving Disclosures about Fair Value Measurements*. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number).

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
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This update provides amendments to Subtopic 820-10 that clarify existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In September 2009, the FASB issued Accounting Standards Update No. 2009-08 *Earnings Per Share - Amendments to Section 260-10-S99*, which represents technical corrections to topic 260-10-S99 *Earnings per share*, based on EITF Topic D-53 *Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock* and EITF Topic D-42 *The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock*. The adoption of this ASU did not have a material impact on our consolidated financial statements, results of operations or cash flows.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05 *Fair Value Measurement and Disclosures Topic 820 - Measuring Liabilities at Fair Value*, which provides amendments to subtopic 820-10 *Fair Value Measurements and Disclosures - Overall* for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1. A valuation technique that uses: a) the quoted price of the identical liability when traded as an asset b) quoted prices for similar liabilities or similar liabilities when traded as assets. 2. Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The adoption of this ASU did not have a material impact on our consolidated financial statements, results of operations or cash flows.

In June 2009, the FASB issued standards that establish only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The FASB Accounting Standards Codification (the “Codification”) became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission (“SEC”), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became nonauthoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. We have begun to use the new guidelines and numbering system prescribed by the Codification when referring to GAAP. As the Codification was not intended to change or alter existing GAAP, it did not have a material impact on our consolidated financial statements.

In May 2009, the FASB issued standards that require management to evaluate subsequent events through the date the financial statements are either issued, or available to be issued. Companies are required to disclose the date through which subsequent events have been evaluated. This standard is effective for interim or annual financial periods ending after June 15, 2009. The Company evaluated its June 30, 2011

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
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financial statements for subsequent events through August 12, 2011, the date the financial statements were available to be issued. Other than the events in Note 16, the Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

In April 2009, the FASB issued standards that require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This standard also requires those disclosures in summarized financial information at interim reporting periods. This standard applies to all financial instruments within the scope of Statement 107 held by publicly traded companies, as defined by APB 28, and requires that a publicly traded company include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. This standard is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements, results of operations or cash flows.

In April 2009, the FASB issued standards that provide additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. This standard is effective for interim and annual periods ending after June 15, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements, results of operations or cash flows.

**NOTE 2 GOING CONCERN**

As a result of our financial condition at December 31, 2010, we had received a report from our independent registered public accounting firm for our financial statements for the year ended December 31, 2010 that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. In order to continue as a going concern we must effectively balance many factors and continue to generate revenues sufficient to fund our operations. If we are not able to do this we may not be able to continue as an operating company. There is no assurance that our existing cash flow will continue at its existing rate. Should it decrease, then we may not be able to adequately satisfy our operating expenses and capital requirements.

**NOTE 3 BUSINESS COMBINATIONS**

*Revyv, LLC*

On January 11, 2011, we entered into a Reorganization and Asset Acquisition Agreement pursuant to which we acquired substantially all the assets of Revyv, LLC. The assets consisted primarily of the intellectual property associated with the name CannabisCenters, including its website ([www.cannabiscenters.com](http://www.cannabiscenters.com)), its related physician software and patient verification system, and numerous existing contracts. As consideration for the purchase, which closed on January 13, 2011, we issued an aggregate of Five Hundred Thousand (500,000) shares of our common stock to Revyv, LLC or its assigns. Effective on January 10, 2011, we entered into an at-will employment agreement with each of James Johnson and David Johnson, each of which are members of Revyv, LLC. The compensation due to each is \$12,500 per month. This business is now operated as General Marketing Solutions, Inc.

The purchase price was \$1,000,000, which pursuant to the Revyv Purchase Agreement consisted of the issuance of 500,000 shares of the Company's common stock. The purchase price was determined based on the value of the associated underlying shares of the Company's common stock, which value of \$2.00 per share, represented the offering price of the Company's Common Stock used in its most recently completed equity transactions prior to the date of the acquisitions in accordance with the following FASB ASC 820-10-35-5, *Principal Market or Most Advantageous Market* guidance.

The following table summarizes the acquisition with a total purchase price of \$1,000,000:

**GENERAL CANNABIS, INC.**  
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Current assets	\$ —
Domains	18,500
Web Software	501,343
Goodwill	486,403
Total assets acquired	<u>1,006,246</u>
Accrued liabilities assumed	(6,246)
Total purchase price	<u>\$ 1,000,000</u>

**NOTE 4 OTHER CURRENT ASSETS**

*Warrants*

During November 2010, the Company entered into a marketing services agreement with a third-party firm (the “Marketing Agreement”) pursuant to the terms of which, the Company would receive marketing services for a term of two years.

Pursuant to the terms of the Marketing Agreement, consideration consisted of a cash payment of \$115,000 and 250,000 Common Stock purchase warrants with a four year contractual term and with each warrant entitling the holder thereof to purchase one share of common stock at a price of \$4.00, which price of \$4.00 represented price of the underlying stock on the date of the agreement as quoted on the OTC Markets, and which cash payment portion will be amortized on a straight-line basis over the term of the Marketing Agreement. As of June 30, 2011, the Company has an outstanding balance of \$42,500 which balance is due October 2011.

*Consulting Agreement and Employment Agreement*

During November 2010, the Company entered into a three-year Consulting Agreement with Douglas Francis, our President, pursuant to the terms of which the Company would receive merger and acquisition consulting services for a term of three years. The Company valued the agreement at \$1,850,000 which consisted of a cash payment of \$50,000 and a consulting fee of One Million Eight Hundred Thousand Dollars (\$1,800,000) payable, one-half on June 30, 2012 (per an Amendment to the agreement) and the other half on January 10, 2013. Subsequent to the Consulting Agreement being executed, it was contemplated that the Company would consummate an employment agreement with Mr. Francis, pursuant to the terms of which the services received and consideration given pursuant to the Consulting Agreement would be included in the employment agreement such that the employment agreement would supersede the Consulting Agreement.

On August 1, 2011, we entered into an at-will Employment Agreement with Douglas Francis, our President and a member of our Board of Directors. Mr. Francis’ employment is effective as of April 1, 2011. Under the terms of the agreement, his compensation is thirty thousand dollars (\$30,000) per month. In the event of termination of the agreement for a reason other than for cause, Mr. Francis will be entitled to severance equal to eighteen (18) months of compensation. See also Termination of a Material Definitive Agreement, below.

On August 1, 2011, we entered into a Termination of Consulting Agreement with Douglas Francis, our President and a member of our Board of Directors, which terminated, effective as of April 1, 2011, his Consulting Agreement with us dated as of November 19, 2010, with no further amounts due under the Consulting Agreement.

*Rental Agreement*

During November 2010, the Company entered into a short-term month-to-month rental agreement (the “Rental Agreement”) pursuant to which the Company agreed to rent certain space and was required to make a deposit of \$5,600.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

*Credit Card Processing*

During the normal course of business, the Company processes customer payments using a third-party merchant credit card processing system, which payments normally take one to three days to “clear.” At June 30, 2011, the Company had \$118,610 in merchant processing that had not yet cleared.

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, generally from three to seven years. Property and equipment at June 30, 2011 and December 31, 2010 consist of the following:

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Furniture and Computer Equipment	426,423	72,588
Less: Accumulated Depreciation	<u>(91,534)</u>	<u>(70,386)</u>
Property and Equipment, net	<u>\$ 334,889</u>	<u>\$ 2,202</u>

For the six months ended June 30, 2011 and 2010, depreciation expense totaled \$21,000 and zero, respectively.

**NOTE 6 INTANGIBLE ASSETS**

Intangible assets consist of a suite of websites and internet properties consisting of over 250 domain names, a capitalized management contract and customer list, trademarks and goodwill associated with recent acquisitions.

The 250 domains acquired will be used to cross reference and to drive web traffic to our main portals. The vast majority of the domain names were valued \$100; weedporn.com, weedvote.com, weedfreebies.com, weedphotos.com, cannabisclubs.com, medicalmarijuanadispensaries.com and medicalmarijuanaclinic.com were valued between \$500 and \$2,500; legalmarijuanadispensary.com was valued at \$50,000; and weedmaps.com was valued at \$200,000.

The Company’s websites and domain names have been determined to have an indefinite useful life based primarily on the renewability of the domain name. Intangible assets with an indefinite life are not subject to amortization, but will be subject to periodic evaluation for impairment.

Intangible assets and accumulated amortization at June 30, 2011 and December 31, 2010 are comprised of the following:

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Contracts & Customer lists	\$ 21,984,576	\$ 21,984,576
Internet Properties & Domain Names	10,074,461	9,444,582
Trademarks	29,322	29,322
Goodwill	28,198,748	27,712,345
Subtotal	\$ 60,287,107	\$ 59,170,825
Accumulated Amortization	(734,427)	—
Total intangible Assets	\$ 59,552,680	\$ 59,170,825

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

**NOTE 7 LOSS PER COMMON SHARE**

Income (loss) per common share is based on the weighted average number of common shares outstanding. The Company complies with *Earnings Per Share*, which requires dual presentation of basic and diluted earnings per share on the face of the statements of operations. Basic per share earnings or loss excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average common shares outstanding for the period. Diluted per share earnings or loss reflect the potential dilution that could occur if convertible preferred stock or debentures, options and warrants were to be exercised or converted or otherwise result in the issuance of common stock that is then shared in the earnings of the entity.

As of June 30, 2011, there were outstanding 250,000 common stock purchase warrants. See Note 3 Other Current Assets for information on the warrants.

**NOTE 8 ACCOUNTS PAYABLE**

Accounts payable at June 30, 2011 included amounts owed to certain vendors related to the ongoing normal course of the Company's operations.

**NOTE 9 ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2011 and December 31, 2010 are comprised of the following:

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Obligations on consulting agreements	\$ —	\$ 900,000
Obligations on marketing agreements	—	72,500
Tax provision	62,000	62,000
Other	191,190	37,093
Total accrued liabilities	\$ 253,190	\$ 1,071,593

**NOTE 10 NOTE PAYABLE**

During November 2008, the Company issued a note payable in the amount of \$60,000, which note was unsecured and payable on demand. At June 30, 2011, no principal reduction had taken place and the balance on the note was \$60,000, which included \$5,000 in accrued interest. During the year ended 2008, the Company issued a note payable in the amount of \$90,000, which note was unsecured and had a maturity date of December 31, 2011. At June 30, 2011, the note payable had an outstanding balance of \$10,000 including accrued interest.

At December 31, 2009 the Company had a note payable in the amount of \$50,000. This note was payable on demand and was unsecured. At June 30, 2011, no principal reduction had taken place and the balance on the note was \$50,000.

**NOTE 11 NOTE PAYABLE – RELATED PARTY**

During November 2010 we acquired 100% of the membership interests of WeedMaps, LLC, a Nevada limited liability Company, pursuant to which we issued Secured Promissory Notes with the aggregate principal amount of \$3,600,000, in the form of four \$900,000 principal amount 0.35% Secured Promissory Notes, two issued to each of the Sellers, half of which principal matures on June 30, 2012, and half of which principal matures on January 10, 2013.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

**NOTE 12 OTHER LONG TERM ACCRUED LIABILITIES**

See Note 3 Other Current Assets for information on the Consulting Agreement entered into between the Company and Douglas Francis, our President.

**NOTE 13 RELATED PARTY TRANSACTIONS**

All material intercompany transactions have been eliminated upon consolidation of our entities. During the six months ended June 30, 2011, cash transfers, equity and accounts between the Company and its subsidiaries have been eliminated upon consolidation.

**NOTE 14 COMMITMENT AND CONTINGENCIES**

On January 27, 2011, the Company entered into a commercial lease agreement for approximately 20,332 square feet of office space in Newport Beach, California. The lease expires on January 31, 2014 and requires monthly payments of \$39,647. The Company is confident that this commercial space will provide adequate space to meet our needs and provide for future growth.

Set forth below is a summary of our current obligations as of June 30, 2011 comprised exclusively of a rental lease obligation to make future payments due by the period indicated below:

<b>Operating lease payments</b>	<b>Minimum Payments</b>	<b>Monthly Base Rent</b>
July 1, 2011 to December 31, 2011	\$ 237,884.40	\$ 39,647.40
2012	495,287.52	41,273.96
2013	514,806.24	42,900.52
2014	42,900.52	42,900.52

**NOTE 15 EQUITY TRANSACTIONS**

On January 11, 2010, we entered into a Reorganization and Asset Acquisition Agreement pursuant to which we acquired substantially all the assets of Revyv, LLC. As consideration for the purchase, we issued an aggregate of Five Hundred Thousand (500,000) shares of our common stock to Revyv. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited and had access to information necessary to make an investment decision. The shares were restricted securities as described in Rule 144 pursuant to the Securities Act of 1933.

**NOTE 16 WARRANTS**

As of June 30, 2011, there were outstanding 250,000 common stock purchase warrants. See Note 3 Other Current Assets for information on the warrants.

**NOTE 17 FOREIGN CURRENCY TRANSLATION**

The Company's functional currency is the United States Dollar (the "US Dollar"). In the past, the Company entered into transactions denominated in foreign currencies, such as the Canadian Dollar ("CAD"). During the six months ended June 30, 2010 and 2011, the Company did not have foreign operations.

**NOTE 18 SUBSEQUENT EVENTS**

The Company evaluated its June 30, 2011 financial statements for subsequent events through August 12, 2011, the date the financial statements were available to be issued.

**GENERAL CANNABIS, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

*Employment Agreements*

On August 1, 2011, we entered into an at-will Employment Agreement with James Pakulis, our Chief Executive Officer and Chairman of our Board of Directors. Mr. Pakulis' employment is effective as of August 1, 2011. Under the terms of the agreement, his compensation is thirty thousand dollars (\$30,000) per month. In the event of termination of the agreement for a reason other than for cause, Mr. Pakulis will be entitled to severance equal to eighteen (18) months of compensation.

On August 1, 2011, we entered into an at-will Employment Agreement with Douglas Francis, our President and a member of our Board of Directors. Mr. Francis' employment is effective as of April 1, 2011. Under the terms of the agreement, his compensation is thirty thousand dollars (\$30,000) per month. In the event of termination of the agreement for a reason other than for cause, Mr. Francis will be entitled to severance equal to eighteen (18) months of compensation. See also Termination of a Material Definitive Agreement, below.

*Termination of Consulting Agreement*

On August 1, 2011, we entered into a Termination of Consulting Agreement with Douglas Francis, our President and a member of our Board of Directors, which terminated, effective as of April 1, 2011, his Consulting Agreement with us dated as of November 19, 2010, with no further amounts due under the Consulting Agreement.

**Exhibit 10.21**

## TERMINATION OF CONSULTING AGREEMENT

Effective as of April 1, 2011, upon execution of the Employment Agreement dated August 1, 2011 by and between General Cannabis, Inc., a Nevada corporation and Douglas Francis, that certain Consulting Agreement dated as of November 19, 2010, as amended on February 22, 2011, is terminated. Neither party will have any further obligations thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Termination of Consulting Agreement to be duly executed as of the date first written above.

“Company”

General Cannabis, Inc.,  
a Nevada corporation

By: James Pakulis  
Its: CEO

“Consultant”

By: Douglas Francis

**Exhibit 10.22**

## EMPLOYMENT AGREEMENT

This Employment Agreement is entered this 1st day of August, 2011, by and between General Cannabis, Inc., a Nevada corporation (the "Employer"), and **Douglas Francis**, hereinafter referred to as "Employee," in consideration of the mutual promises made herein, agree as follows:

### ARTICLE 1. AT-WILL EMPLOYMENT

**Section 1.1. Effective Date of Employment; At-Will Employment.** The effective date of Employee's employment with Employer is April 1, 2011. Employer hereby employs Employee and Employee hereby accepts employment with Employer on an at-will basis, with both Employer and Employee able to terminate the employment relationship at any time, with or without cause. This at-will status can only be changed by a writing signed by Employer's President.

**Section 1.2. Annual Review.** Employer will grant Employee an annual review. This annual review may result in a corresponding increase in salary to Employee, but any increase in salary is in the sole discretion of Employer.

### ARTICLE 2. DUTIES AND OBLIGATIONS OF EMPLOYEE

**Section 2.1. General Job Responsibilities.** Employee is being hired for the position of **President and Chief Strategy Officer** for the Employer. Employee shall report directly to Employer's **Chairman of the Board and Chief Executive Officer**. In that capacity, Employee shall be responsible for performing those duties for the Company consistent with the position of President of a company and as may from time to time be reasonably assigned to or requested of Employee by the Company's Chief Executive Officer or its Board of Directors. Employee shall use his reasonable efforts to perform faithfully and effectively such responsibilities. Employee shall conduct all of his activities in a manner so as to maintain and promote the business and reputation of the Company.

**Section 2.2. Matters Requiring Consent of Employer.** Employee shall not, without specific written approval of the Employer's CEO and Board of Directors, do or contract to do any of the following:

- (1) Bind the Employer to a liquidation event, such as liquidation, dissolution or winding up of the Employer, whether voluntary or involuntary;
- (2) Bind the Employer to a sale of all or substantially all of the assets of the Employer;
- (3) Bind the Employer to a transaction that would result in a change of the control of the Employer;
- (4) Bind the Employer to any transaction that would result in the issuance of any shares of any class of stock of the Employer after the date of this Agreement, or any security convertible into or exchangeable for any shares of any class of the Employer's stock;
- (5) Guaranty any debt or obligation in the name of the Employer; or
- (6) Any other matter prohibited by the Employer's written practices and policies that have been, or will be, distributed to Employer's employees.

**Section 2.3. Devotion to Employer's Business.**

(a) Subject to the exceptions set forth herein, Employee shall devote his full professional time, attention, best efforts, energy and skill to the business of Employer during the term of his employment necessary to effectively and efficiently execute all job responsibilities set forth in Section

2.1. Employee may devote time and attention to other activities that do not compete with Employer or interfere with Employee's obligations, duties and responsibilities to Employer hereunder.

(b) During Employee's employment with Employer, Employee shall not engage in any other business duties or pursuits whatsoever, or directly or indirectly render any services of a business, commercial, or professional nature to any other person or organization, whether for compensation or otherwise, that competes or could compete with Employer or interfere with Employee's obligations, duties and responsibilities to Employer hereunder, without the prior written consent of Employer's CEO and Board of Directors. However, the expenditure of reasonable amounts of time for educational, charitable, or professional activities shall not be deemed a breach of this agreement if those activities do not materially interfere with the services required under this agreement and shall not require the prior written consent of Employer's CEO or Board of Directors.

(c) This agreement shall not be interpreted to prohibit Employee from making passive personal investments or conducting private business affairs if those activities do not interfere or conflict with the services required under this agreement. However, during the term of Employee's employment, Employee shall not directly or indirectly acquire, hold, or retain any interest in any business competing with or similar in nature to the business of Employer.

**Section 2.4. Competitive Activities.** While Employee is an employee of Employer, and for a period of one (1) year after termination, Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that competes with any or all of Employer's businesses. Employee acknowledges that this non-compete provision itself survives the termination of the employment agreement.

**Section 2.5. Uniqueness of Employee's Services.** Employee hereby represents and agrees that the services to be performed by Employee under this agreement are of a special, unique, unusual, extraordinary and intellectual character that gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Employee therefore expressly agrees that Employer, in addition to any other rights or remedies that the Employer may possess, shall be entitled to injunctive and other equitable relief to prevent or remedy a breach of this contract by Employee. The parties are aware that under California law specific performance may not be available to enforce all breaches of this agreement but acknowledge that for all such material breaches of this agreement the non-breaching party would be harmed and both parties agree that this harm will be recoverable through monetary damages.

**Section 2.6. Trade Secrets.**

(a) The parties acknowledge and agree that during Employee's employment and in the course of the discharge of his duties hereunder, Employee shall have access to and become acquainted with information concerning the operation and processes of Employer, including without limitation, financial, personnel, sales, and other information that is owned by Employer's business, and that such information constitutes Employer's trade secrets ("Trade Secrets").

(b) Employee specifically agrees that she shall not misuse, misappropriate, or disclose any such Trade Secrets, directly or indirectly to any other person or use them in any way, either during the term of this Agreement or at any other time thereafter, except as is required in the course of his employment hereunder.

(c) Employee acknowledges and agrees that the sale or unauthorized use or disclosure of any of Employer's Trade Secrets obtained by Employee during the course of his employment with Employer, including information concerning Employer's current or any future and proposed work, services, or products, the facts that any such work production, as well as any descriptions thereof, would constitute unfair trade practices and unauthorized use of the Employer's Trade Secrets, whether such information is used during the term of Employee's employment or at any other time thereafter.

(d) Employee further agrees that all files, records, documents, drawings, specifications, equipment, and similar items relating to Employer's business, whether prepared by Employee or others, are also considered Trade Secrets and that they are and shall remain exclusively the property of Employer and that they shall be removed from the premises of Employer only with the express prior written consent of Employer. Employee shall not solicit or hire any client(s) or employee(s) of Employer for one (1) year following termination of employment. Trade Secrets do not include: (1) information that was in the public domain at the time of disclosure; or (2) information that subsequently becomes part of public knowledge or literature through a deliberate act of Employer or Employee as of the date of its becoming public.

**Section 2.7 Employee Indemnification.** Employee shall indemnify and hold Employer harmless from all liability for loss, damage, or injury to persons or property resulting from the negligence or misconduct of Employee. In addition, Employee shall indemnify and hold Employer harmless from all liability for loss, damage, or injury to persons or property as a result of a claim against Employer, or any of its employees, from any of Employee's former employers.

**Section 2.8 Discoveries.** All inventions, discoveries, ideas, and other intellectual property rights ("Intellectual Property") made or conceived by Employee, either solely or jointly with others, whether they can be patented or not, to the extent related to and arising out of Employee's performance under this Agreement shall be promptly and fully disclosed to the Employer, considered work for hire and all right, title and interest thereto anywhere in the world shall be the Employer's property. In the event that such inventions, discoveries and ideas are not considered work for hire for any reason, Employee hereby unconditionally assigns to the Employer all of his right, title and interest therein. Employee agrees to execute any and all documents deemed necessary by the Employer to effectuate the foregoing at any time, whether before or after the expiration or earlier termination of this Agreement. Compensation for any such inventions, discoveries or ideas shall be deemed to be included in the compensation paid to Employee hereunder.

### **ARTICLE 3. OBLIGATIONS OF EMPLOYER**

**Section 3.1. General Description.** Employer shall provide Employee with the compensation, incentives, benefits, and business expense reimbursement specified elsewhere in this agreement.

**Section 3.2. Office and Staff.** Employer shall provide Employee with an office, office equipment, supplies, and other facilities and services, suitable to Employee's position and adequate for the performance of his duties. Employee shall work from the Employer's corporate headquarters, which is currently located in Newport Beach, California. Employee is required to spend time at the Employer's corporate headquarters and in the field as necessary to effectively carry out his job duties and responsibilities, maintain team continuity and direction, grow and maximize sales, and to achieve his established goals. Employee understands and agrees that frequent travel may be necessary to accomplish his job responsibilities outlined herein.

#### **ARTICLE 4. COMPENSATION OF EMPLOYEE**

##### **Section 4.1. Salary.**

(a) As compensation for the services to be rendered hereunder, Employee shall receive a monthly salary of **\$30,000.00**, payable twice a month (\$15,000 per pay period).

(b) Employee may receive such annual increases in salary as may be determined by Employer in its sole discretion on the anniversary of this Agreement or sooner as determined by the Employer. Nothing herein requires Employer to increase Employee's salary at any time.

**Section 4.2. Tax Withholding.** Employer shall have the right to deduct or withhold from the compensation due to Employee hereunder any and all sums required for federal income and Social Security taxes and all state or local taxes now applicable or that may be enacted and become applicable in the future.

#### **ARTICLE 5. EMPLOYEE BENEFITS**

**Section 5.1. Eligibility.** Employee will be entitled to begin accruing the benefits listed in this Section immediately after Employee's start date, unless otherwise stated below.

**Section 5.2. Annual Vacation.** Employer offers ten days paid vacation leave, to be accrued 12 months after Employees initial start date.

**Section 5.3. Sick Leave.** Employer offers seven days medical (non-paid) sick leave. Sick leave days are earned via an accrual basis.

**Section 5.4. Medical Coverage.** Employer offers Kaiser medical insurance.

**Section 5.5. Retirement Plan.** Employer offers a 401(k) plan, non-matching at this time.

#### **ARTICLE 6. BUSINESS EXPENSES**

##### **Section 6.1. Reimbursement of Other Business Expenses.**

(a) Employer shall reimburse Employee for all reasonable business expenses incurred by Employee in connection with the business of Employer, conditional on Employee receiving written authorization from the CEO prior to including such expense.

(b) Each such expenditure shall be reimbursable only if it is of a nature qualifying it as a proper deduction on the federal and state income tax return of Employer.

(c) Each such expenditure shall be reimbursable only if Employee furnishes to Employer adequate records and other documentary evidence required by federal and state statutes and regulations issued by the appropriate taxing authorities for the substantiation of each such expenditure as an income tax deduction.

#### **ARTICLE 7. TERMINATION OF EMPLOYMENT**

**Section 7.1. Termination At Will.** Employee's employment hereunder is at will and may be terminated by either Employer or Employee at any time for any reason, with or without cause.

**Section 7.2. Termination Upon Death.** Employee's employment hereunder shall terminate upon his death, in which event the Employer shall pay to such person as the Employee shall have designated in a written notice filed with the Employer, or if no such person shall have been designated to his estate, all salary, amounts due under benefit plans and profit sharing plans, and reimbursement of business expenses through the date of termination.

**Section 7.3. Termination Upon Disability.** If, as a result of a permanent mental or physical disability, Employee shall have been absent from his duties hereunder on a full-time basis for three (3) consecutive months, ("Disability") and, within thirty (30) days after the Employer notifies Employee in writing that it intends to replace him, (which notice can be given at the end of the second month during such three-month period), Employee shall not have returned to the complete performance of his duties on a full-time basis, the Employer shall be entitled to terminate Employee's employment. In addition, Employee shall, upon his Disability, have the right to terminate his employment with Employer. If such employment is terminated (whether by the Employer or Employee) as a result of Employee's Disability, then Employer shall pay, if applicable, to Employee all salary, amounts due under benefit plans and profit sharing plans, and reimbursement of business expenses, through the date of termination.

**Section 7.4. Termination for Cause.** Employer shall be entitled to terminate Employee's employment for Cause, in which event Employee shall be entitled, if applicable, to all salary, amounts due under benefit plans and profit sharing plans, and reimbursement of business expenses, through the date of termination. For purposes of this agreement, "Cause" shall mean (i) the commission by Employee of an act of fraud or embezzlement involving assets of the Employer or its customers, suppliers or affiliates, (ii) a willful breach or habitual neglect of Employee's duties which he is required to perform under the terms of his employment (See Section 2.1, above), (iii) refusal to timely produce any and all documentation related to the Employer's business to the President upon request there from, or (iv) gross misconduct or gross negligence in connection with the business of the Employer or an affiliate which has a material adverse effect on the Employer and any subsidiaries. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Employee a notice of termination which specifies the grounds for termination and a statement of supporting facts.

**Section 7.5 Termination without Cause.** Subject to the provisions of Section 7.6 of this Agreement, Employee's employment hereunder may be terminated by Employer without Cause at any time and without prior notice to Employee.

**Section 7.6 Payments upon Termination without Cause.** In the event that Employee's employment with Employer is terminated by Employer without Cause pursuant to Section 8.5, above, then Employee shall be entitled to receive payment of eighteen (18) months of Employee's base salary in effect as of the date of such termination. The severance payments will be made in accordance with the normal payroll cycle of Employer and subject to any required tax withholdings and deductions. In the event that Employee breaches any of the covenants set forth in Article 2, above, Employer shall have no further obligation to provide, and Employee shall have no further right to receive, any payments or benefits pursuant to this Section 8.6.

**Section 7.7 Return of Documents.** Upon the termination of Employee's employment with Employer for any reason, including without limitation termination by the Employer for Cause, Employee shall promptly deliver to Employer all correspondence, manuals, orders, letters, notes, notebooks, reports, programs, proposals, appraisal documents, agreements, and any documents and copies concerning Employer's customers or concerning products or processes used by Employer and, without limiting the



employment in any manner whatsoever. Each party to this agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this agreement shall be valid or binding on either party.

**Section 8.5. Modifications.** Any modification of this agreement will be effective only if it is in writing and signed by the party to be charged.

**Section 8.6. Effect of Waiver.** The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this agreement by the other party shall not be deemed a waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

**Section 8.7. Partial Invalidity.** If any provision in this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

**Section 8.8. Law Governing Agreement/Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any legal action, suit, arbitration, or proceeding arising from or relating to this Agreement shall be brought and maintained in the appropriate court or arbitrator located in and with jurisdiction over Orange County, California and the parties hereby submit to the jurisdiction thereof.

**Section 8.9. Understanding Agreement.** Employee has read and fully understands the points listed above and has agreed to adhere to all sections as presented. Employee has had an opportunity to seek the advice of legal counsel regarding the terms of this agreement.

**Section 8.10. Assignment.** This Agreement, and the Employee's rights and obligations hereunder, may not be assigned by the Employee.

**Section 8.11. Amendment.** This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms or covenants hereof may be waived, only by a written instrument executed by both parties as hereto, as in the case of a waiver, by the party waiving compliance.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers or other authorized signatory, have executed this Amendment as of the date first above written. This agreement may be signed in counterparts and facsimile signatures are treated as original signatures.

"Employer"

General Cannabis, Inc.,  
a Nevada corporation

By: James Pakulis  
Its: Chief Executive Officer

"Employee"

By: Douglas Francis

**Exhibit 10.23**

## EMPLOYMENT AGREEMENT

This Employment Agreement is entered this 1st day of August, 2011, by and between General Cannabis, Inc., a Nevada corporation (the "Employer"), and **James Pakulis**, hereinafter referred to as "Employee," in consideration of the mutual promises made herein, agree as follows:

### ARTICLE 1. AT-WILL EMPLOYMENT

**Section 1.1. Effective Date of Employment; At-Will Employment.** The effective date of Employee's employment with Employer is August 1, 2011. Employer hereby employs Employee and Employee hereby accepts employment with Employer on an at-will basis, with both Employer and Employee able to terminate the employment relationship at any time, with or without cause. This at-will status can only be changed by a writing signed by Employer's President.

**Section 1.2. Annual Review.** Employer will grant Employee an annual review. This annual review may result in a corresponding increase in salary to Employee, but any increase in salary is in the sole discretion of Employer.

### ARTICLE 2. DUTIES AND OBLIGATIONS OF EMPLOYEE

**Section 2.1. General Job Responsibilities.** Employee is being hired for the position of **Chief Executive Officer** for the Employer. Employee shall report directly to Employer's **Board of Directors**. In that capacity, Employee shall be responsible for performing those duties for the Company consistent with the position of Chief Executive Officer of a company and as may from time to time be reasonably assigned to or requested of Employee by the Company's Board of Directors. Employee shall use his reasonable efforts to perform faithfully and effectively such responsibilities. Employee shall conduct all of his activities in a manner so as to maintain and promote the business and reputation of the Company.

**Section 2.2. Matters Requiring Consent of Employer.** Employee shall not, without specific written approval of the Employer's Board of Directors, do or contract to do any of the following:

- (1) Bind the Employer to a liquidation event, such as liquidation, dissolution or winding up of the Employer, whether voluntary or involuntary;
- (2) Bind the Employer to a sale of all or substantially all of the assets of the Employer;
- (3) Bind the Employer to a transaction that would result in a change of the control of the Employer;
- (4) Bind the Employer to any transaction that would result in the issuance of any shares of any class of stock of the Employer after the date of this Agreement, or any security convertible into or exchangeable for any shares of any class of the Employer's stock;
- (5) Guaranty any debt or obligation in the name of the Employer; or
- (6) Any other matter prohibited by the Employer's written practices and policies that have been, or will be, distributed to Employer's employees.

**Section 2.3. Devotion to Employer's Business.**

(a) Subject to the exceptions set forth herein, Employee shall devote his full professional time, attention, best efforts, energy and skill to the business of Employer during the term of his employment necessary to effectively and efficiently execute all job responsibilities set forth in Section 2.1. Employee may devote time and attention to other activities that do not compete with Employer or interfere with Employee's obligations, duties and responsibilities to Employer hereunder.

(b) During Employee's employment with Employer, Employee shall not engage in any other business duties or pursuits whatsoever, or directly or indirectly render any services of a business, commercial, or professional nature to any other person or organization, whether for compensation or otherwise, that competes or could compete with Employer or interfere with Employee's obligations, duties and responsibilities to Employer hereunder, without the prior written consent of Employer's Board of Directors. However, the expenditure of reasonable amounts of time for educational, charitable, or professional activities shall not be deemed a breach of this agreement if those activities do not materially interfere with the services required under this agreement and shall not require the prior written consent of Employer's Board of Directors.

(c) This agreement shall not be interpreted to prohibit Employee from making passive personal investments or conducting private business affairs if those activities do not interfere or conflict with the services required under this agreement. However, during the term of Employee's employment, Employee shall not directly or indirectly acquire, hold, or retain any interest in any business competing with or similar in nature to the business of Employer.

**Section 2.4. Competitive Activities.** While Employee is an employee of Employer, and for a period of one (1) year after termination, Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that competes with any or all of Employer's businesses. Employee acknowledges that this non-compete provision itself survives the termination of the employment agreement.

**Section 2.5. Uniqueness of Employee's Services.** Employee hereby represents and agrees that the services to be performed by Employee under this agreement are of a special, unique, unusual, extraordinary and intellectual character that gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Employee therefore expressly agrees that Employer, in addition to any other rights or remedies that the Employer may possess, shall be entitled to injunctive and other equitable relief to prevent or remedy a breach of this contract by Employee. The parties are aware that under California law specific performance may not be available to enforce all breaches of this agreement but acknowledge that for all such material breaches of this agreement the non-breaching party would be harmed and both parties agree that this harm will be recoverable through monetary damages.

**Section 2.6. Trade Secrets.**

(a) The parties acknowledge and agree that during Employee's employment and in the course of the discharge of his duties hereunder, Employee shall have access to and become acquainted with information concerning the operation and processes of Employer, including without limitation, financial, personnel, sales, and other information that is owned by Employer's business, and that such information constitutes Employer's trade secrets ("Trade Secrets").

(b) Employee specifically agrees that she shall not misuse, misappropriate, or disclose any such Trade Secrets, directly or indirectly to any other person or use them in any way, either during the term of this Agreement or at any other time thereafter, except as is required in the course of his employment hereunder.

(c) Employee acknowledges and agrees that the sale or unauthorized use or disclosure of any of Employer's Trade Secrets obtained by Employee during the course of his employment with Employer, including information concerning Employer's current or any future and proposed work, services, or products, the facts that any such work production, as well as any descriptions thereof, would constitute

unfair trade practices and unauthorized use of the Employer's Trade Secrets, whether such information is used during the term of Employee's employment or at any other time thereafter.

(d) Employee further agrees that all files, records, documents, drawings, specifications, equipment, and similar items relating to Employer's business, whether prepared by Employee or others, are also considered Trade Secrets and that they are and shall remain exclusively the property of Employer and that they shall be removed from the premises of Employer only with the express prior written consent of Employer. Employee shall not solicit or hire any client(s) or employee(s) of Employer for one (1) year following termination of employment. Trade Secrets do not include: (1) information that was in the public domain at the time of disclosure; or (2) information that subsequently becomes part of public knowledge or literature through a deliberate act of Employer or Employee as of the date of its becoming public.

**Section 2.7 Employee Indemnification.** Employee shall indemnify and hold Employer harmless from all liability for loss, damage, or injury to persons or property resulting from the negligence or misconduct of Employee. In addition, Employee shall indemnify and hold Employer harmless from all liability for loss, damage, or injury to persons or property as a result of a claim against Employer, or any of its employees, from any of Employee's former employers.

**Section 2.8 Discoveries.** All inventions, discoveries, ideas, and other intellectual property rights ("Intellectual Property") made or conceived by Employee, either solely or jointly with others, whether they can be patented or not, to the extent related to and arising out of Employee's performance under this Agreement shall be promptly and fully disclosed to the Employer, considered work for hire and all right, title and interest thereto anywhere in the world shall be the Employer's property. In the event that such inventions, discoveries and ideas are not considered work for hire for any reason, Employee hereby unconditionally assigns to the Employer all of his right, title and interest therein. Employee agrees to execute any and all documents deemed necessary by the Employer to effectuate the foregoing at any time, whether before or after the expiration or earlier termination of this Agreement. Compensation for any such inventions, discoveries or ideas shall be deemed to be included in the compensation paid to Employee hereunder.

### **ARTICLE 3. OBLIGATIONS OF EMPLOYER**

**Section 3.1. General Description.** Employer shall provide Employee with the compensation, incentives, benefits, and business expense reimbursement specified elsewhere in this agreement.

**Section 3.2. Office and Staff.** Employer shall provide Employee with an office, office equipment, supplies, and other facilities and services, suitable to Employee's position and adequate for the performance of his duties. Employee shall work from the Employer's corporate headquarters, which is currently located in Newport Beach, California. Employee is required to spend time at the Employer's corporate headquarters and in the field as necessary to effectively carry out his job duties and responsibilities, maintain team continuity and direction, grow and maximize sales, and to achieve his established goals. Employee understands and agrees that frequent travel may be necessary to accomplish his job responsibilities outlined herein.

#### ARTICLE 4. COMPENSATION OF EMPLOYEE

##### **Section 4.1. Salary.**

(a) As compensation for the services to be rendered hereunder, Employee shall receive a monthly salary of \$30,000.00, payable twice a month (\$15,000 per pay period).

(b) Employee may receive such annual increases in salary as may be determined by Employer in its sole discretion on the anniversary of this Agreement or sooner as determined by the Employer. Nothing herein requires Employer to increase Employee's salary at any time.

**Section 4.2. Tax Withholding.** Employer shall have the right to deduct or withhold from the compensation due to Employee hereunder any and all sums required for federal income and Social Security taxes and all state or local taxes now applicable or that may be enacted and become applicable in the future.

#### ARTICLE 5. EMPLOYEE BENEFITS

**Section 5.1. Eligibility.** Employee will be entitled to begin accruing the benefits listed in this Section immediately after Employee's start date, unless otherwise stated below.

**Section 5.2. Annual Vacation.** Employer offers ten days paid vacation leave, to be accrued 12 months after Employees initial start date.

**Section 5.3. Sick Leave.** Employer offers seven days medical (non-paid) sick leave. Sick leave days are earned via an accrual basis.

**Section 5.4. Medical Coverage.** Employer offers Kaiser medical insurance.

**Section 5.5. Retirement Plan.** Employer offers a 401(k) plan, non-matching at this time.

#### ARTICLE 6. BUSINESS EXPENSES

##### **Section 6.1. Reimbursement of Other Business Expenses.**

(a) Employer shall reimburse Employee for all reasonable business expenses incurred by Employee in connection with the business of Employer, conditional on Employee receiving written authorization from the President prior to including such expense.

(b) Each such expenditure shall be reimbursable only if it is of a nature qualifying it as a proper deduction on the federal and state income tax return of Employer.

(c) Each such expenditure shall be reimbursable only if Employee furnishes to Employer adequate records and other documentary evidence required by federal and state statutes and regulations issued by the appropriate taxing authorities for the substantiation of each such expenditure as an income tax deduction.

#### ARTICLE 7. TERMINATION OF EMPLOYMENT

**Section 7.1. Termination At Will.** Employee's employment hereunder is at will and may be terminated by either Employer or Employee at any time for any reason, with or without cause.

**Section 7.2. Termination Upon Death.** Employee's employment hereunder shall terminate upon his death, in which event the Employer shall pay to such person as the Employee shall have designated in a written notice filed with the Employer, or if no such person shall have been designated to his estate, all salary, amounts due under benefit plans and profit sharing plans, and reimbursement of business expenses through the date of termination.

**Section 7.3. Termination Upon Disability.** If, as a result of a permanent mental or physical disability, Employee shall have been absent from his duties hereunder on a full-time basis for three (3) consecutive months, ("Disability") and, within thirty (30) days after the Employer notifies Employee in writing that it intends to replace him, (which notice can be given at the end of the second month during such three-month period), Employee shall not have returned to the complete performance of his duties on a full-time basis, the Employer shall be entitled to terminate Employee's employment. In addition, Employee shall, upon his Disability, have the right to terminate his employment with Employer. If such employment is terminated (whether by the Employer or Employee) as a result of Employee's Disability, then Employer shall pay, if applicable, to Employee all salary, amounts due under benefit plans and profit sharing plans, and reimbursement of business expenses, through the date of termination.

**Section 7.4. Termination for Cause.** Employer shall be entitled to terminate Employee's employment for Cause, in which event Employee shall be entitled, if applicable, to all salary, amounts due under benefit plans and profit sharing plans, and reimbursement of business expenses, through the date of termination. For purposes of this agreement, "Cause" shall mean (i) the commission by Employee of an act of fraud or embezzlement involving assets of the Employer or its customers, suppliers or affiliates, (ii) a willful breach or habitual neglect of Employee's duties which he is required to perform under the terms of his employment (See Section 2.1, above), (iii) refusal to timely produce any and all documentation related to the Employer's business to the President upon request there from, or (iv) gross misconduct or gross negligence in connection with the business of the Employer or an affiliate which has a material adverse effect on the Employer and any subsidiaries. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Employee a notice of termination which specifies the grounds for termination and a statement of supporting facts.

**Section 7.5 Termination without Cause.** Subject to the provisions of Section 7.6 of this Agreement, Employee's employment hereunder may be terminated by Employer without Cause at any time and without prior notice to Employee.

**Section 7.6 Payments upon Termination without Cause.** In the event that Employee's employment with Employer is terminated by Employer without Cause pursuant to Section 8.5, above, then Employee shall be entitled to receive payment of eighteen (18) months of Employee's base salary in effect as of the date of such termination. The severance payments will be made in accordance with the normal payroll cycle of Employer and subject to any required tax withholdings and deductions. In the event that Employee breaches any of the covenants set forth in Article 2, above, Employer shall have no further obligation to provide, and Employee shall have no further right to receive, any payments or benefits pursuant to this Section 8.6.

**Section 7.7 Return of Documents.** Upon the termination of Employee's employment with Employer for any reason, including without limitation termination by the Employer for Cause, Employee shall promptly deliver to Employer all correspondence, manuals, orders, letters, notes, notebooks, reports, programs, proposals, appraisal documents, agreements, and any documents and copies concerning Employer's customers or concerning products or processes used by Employer and, without limiting the



employment in any manner whatsoever. Each party to this agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this agreement shall be valid or binding on either party.

**Section 8.5. Modifications.** Any modification of this agreement will be effective only if it is in writing and signed by the party to be charged.

**Section 8.6. Effect of Waiver.** The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this agreement by the other party shall not be deemed a waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

**Section 8.7. Partial Invalidity.** If any provision in this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

**Section 8.8. Law Govering Agreement/Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any legal action, suit, arbitration, or proceeding arising from or relating to this Agreement shall be brought and maintained in the appropriate court or arbitrator located in and with jurisdiction over Orange County, California and the parties hereby submit to the jurisdiction thereof.

**Section 8.9. Understanding Agreement.** Employee has read and fully understands the points listed above and has agreed to adhere to all sections as presented. Employee has had an opportunity to seek the advice of legal counsel regarding the terms of this agreement.


**Section 8.10. Assignment.** This Agreement, and the Employee's rights and obligations hereunder, may not be assigned by the Employee.

**Section 8.11. Amendment.** This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms or covenants hereof may be waived, only by a written instrument executed by both parties as hereto, as in the case of a waiver, by the party waiving compliance.

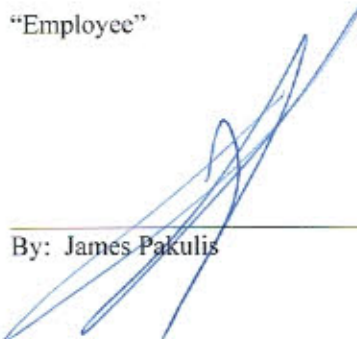
IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers or other authorized signatory, have executed this Amendment as of the date first above written. This agreement may be signed in counterparts and facsimile signatures are treated as original signatures.

"Employer"

General Cannabis, Inc.,  
a Nevada corporation

  
By: Douglas Francis  
Its: President

"Employee"

  
By: James Pakulis

**Exhibit C-1**

**GENERAL CANNABIS, INC.**  
**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, James Pakulis, certify that:

1. I have reviewed this Quarterly Report of General Cannabis, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 14, 2011

  
\_\_\_\_\_  
James Pakulis  
Chief Executive Officer

**Exhibit C-2**

**GENERAL CANNABIS, INC.  
CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Munjit Johal, certify that:

1. I have reviewed this Quarterly Report of General Cannabis, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 14, 2011

  
\_\_\_\_\_  
Munjit Johal  
Chief Financial Officer