

**GENERAL CANNABIS CORP**  
**AUDIT COMMITTEE CHARTER**

**I. PURPOSE**

The Audit Committee (the “**Committee**”) is established by and among the Board of Directors (the “**Board**”) of General Cannabis Corp (the “**Company**”) for the primary purpose of assisting the Board in overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Committee shall also review the policies and procedures adopted by the Company to fulfill its responsibilities regarding the fair and accurate presentation of financial statements in accordance with generally accepted accounting principles (“**GAAP**”) and the applicable rules and regulations of the Securities and Exchange Commission (the “**SEC**”).

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee should also provide an open avenue of communication among the independent registered public accounting firm, financial and senior management, the internal auditing function and the Board.

The Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.

The Company shall provide appropriate funding, as determined by the Committee, for compensation to the independent registered public accounting firm and to any advisers that the Committee chooses to engage as well as for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter.

**II. COMPOSITION AND MEETINGS**

The Committee shall consist of at least two members. If a member of the Committee simultaneously serves on the audit committees of more than three public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

Each member of the Committee must be financially literate, as such qualification is interpreted by the Board in its business judgment, and at least one member of the Committee shall meet the definition of “audit committee financial expert” as set forth in Rule 407(d)(5) of Regulation S-K. The existence of such member(s) shall be disclosed in periodic filings as required by the SEC.

Committee members shall be appointed by the Board, based on the recommendation of the Nominating and Corporate Governance Committee, and shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal. Committee members may be removed at any time by vote of the Board.

Unless a Chair is elected by the full Board, members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. To the extent practical and appropriate, each regularly scheduled meeting should conclude with an executive session of the Committee absent members of management and on such terms and conditions as the Committee may elect. As part of its job to foster open communication, the Committee should, to the extent practical and appropriate, meet periodically with management, the employee or outside consultant who is in charge of the internal auditing function and the independent registered public accounting firm in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

#### *Documents/Reports/Accounting Information Review*

1. Review this Charter periodically, and no less frequently than annually, and recommend to the Board any necessary amendments as conditions dictate.
2. Review and discuss with management and the independent registered public accounting firm the Company's annual financial statements, including the Management's Discussion and Analysis proposed to be included in the Company's Annual Report on Form 10-K, quarterly financial statements, and all internal controls reports (or summaries thereof), if any, and recommend to the Board, if appropriate, that the audited financial statements be included in the Company's Annual Report on Form 10-K for filing with the SEC. To the extent practical and appropriate, review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302 and 906), and any relevant reports rendered by the independent registered public accounting firm (or summaries thereof). Review and discuss with management and the independent registered public accounting firm all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.
3. Review with management and the independent registered public accounting firm each Quarterly Report on Form 10-Q prior to its filing.
4. Discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

5. Have one or more members of the Committee, in particular, if reasonably available, the Chair of the Committee, review, before release, the unaudited operating results in the Company's quarterly earnings release and/or discuss the contents of the Company's quarterly earnings release with management.
6. Have one or more members of the Committee, in particular, if reasonably available, the Chair of the Committee, review, before release, any non-GAAP or "pro forma" financial information, guidance or revised guidance to be included in a press release of the Company.
7. To the extent practical and appropriate, review the regular internal reports (or summaries thereof) to management prepared by the internal auditing department and management's response.
8. Discuss policies with respect to risk assessment and risk management.

*Independent Registered Public Accounting Firm*

9. Be responsible for the appointment of, and review and approval, on a continuing basis, of the retention, termination and performance of the Company's independent registered public accounting firm, and as part of this responsibility the Committee shall:
  - Have sole authority to appoint, retain, compensate and terminate the independent registered public accounting firm.
  - Oversee the work performed by the independent registered public accounting firm for the purpose of preparing or issuing an audit report or related work.
  - Review the performance of the independent registered public accounting firm and remove the independent registered public accounting firm if circumstances warrant.
  - The independent registered public accounting firm shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the independent registered public accounting firm in the event that they arise.
  - Consider and evaluate whether the independent registered public accounting firm's performance of permissible nonaudit services is compatible with the independent registered public accounting firm's independence.
  - Establish a clear understanding with management and the independent registered public accounting firm that the independent registered public accounting firm is accountable to the Audit Committee and the Board as representatives of the Company's shareholders.

10. Review with the independent registered public accounting firm when appropriate any problems or difficulties and management's response; review the independent registered public accounting firm's attestation and report on management's internal control report; obtain from the independent registered public accounting firm assurance that it has complied with Section 10A of the Securities Exchange Act of 1934; and hold discussions with the independent registered public accounting firm, at least prior to the filing of the independent registered public accounting firm's audit report with the SEC pursuant to federal securities laws, regarding the following:
  - all critical accounting policies and practices to be used;
  - all alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm;
  - other material written communications between the independent registered public accounting firm and management including, but not limited to, the management letter and schedule of unadjusted differences;
  - an analysis of the independent registered public accounting firm's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements, and the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 1301 - *Communication with Audit Committees*, as may be modified or supplemented from time to time;
  - any significant changes required in the independent registered public accounting firm's audit plan;
  - other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards; and
  - any other relevant reports, including regular internal financial reports prepared by management of the Company and any internal auditing department, or other financial information.
11. Review the independence of the independent registered public accounting firm, including a review of management consulting services, and related fees, provided by the independent registered public accounting firm. The Committee shall require that the independent registered public accounting firm at least annually provide a formal written statement describing (i) the independent registered public accounting firm's internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the

independent registered public accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one or more audits carried out by the independent registered public accounting firm, and any steps taken to deal with any such issues. The Committee shall actively engage the independent registered public accounting firm in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm. The Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the independent registered public accounting firm. The Committee shall establish clear policies regarding the hiring of employees and former employees of the Company's independent registered public accounting firm.

12. Review and preapprove all audit, review or attest engagements of, and nonaudit services to be provided by, the independent registered public accounting firm (other than with respect to the *de minimis* exception permitted by the Sarbanes-Oxley Act of 2002 and the SEC rules promulgated thereunder). Establish and maintain preapproval policies and procedures relating to the engagement of the independent registered public accounting firm to render services, provided the policies and procedures are detailed as to the particular service and the Committee is informed of each service and such policies and procedures do not include delegation of the Committee's responsibilities under the Securities Exchange Act of 1934 to management. The preapproval duty may be delegated to one or more designated members of the Committee with any such preapproval reported to the Committee at its next regularly scheduled meeting.

#### *Financial Reporting Processes and Accounting Policies*

13. In consultation with the independent registered public accounting firm and the internal auditors, review the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls).
14. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
15. Review all related party transactions.
16. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting, or auditing matters.
17. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.

#### *Internal Audit*

18. Review and discuss with management (i) the appointment and replacement of the person assigned to oversee the internal audit department, (ii) the scope and

responsibilities of the internal audit department, and (iii) any significant reports to management prepared by the internal audit department.

#### *Other Responsibilities*

19. Review with the independent registered public accounting firm, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
20. Prepare the report that the SEC requires be included in the Company's annual proxy statement.
21. To the extent appropriate or necessary, review the rationale for employing audit firms other than the principal independent registered public accounting firm and, where an additional audit firm has been employed, review the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.
22. Establish, review and update periodically a code of ethics and ensure that management has established a system to enforce this code. It shall be the policy of the Committee that the code is in compliance with all applicable rules and regulations. Review management's monitoring of the Company's compliance with the organization's code of ethics.
23. Annually review and assess the Committee's performance.
24. Report regularly to the Board.
25. Perform any other activities consistent with this Charter, the Company's Bylaws, as may be amended from time to time, and governing law, as the Committee or the Board deems necessary or appropriate.

#### **IV. DISCLOSURE OF CHARTER**

This Charter will be made available on the Company's website.