

1 **BEFORE THE CANNABIS COMPLIANCE BOARD**
2 **STATE OF NEVADA**

3 STATE OF NEVADA, CANNABIS
4 COMPLIANCE BOARD,

Case No. 2024-009

5 Petitioner,

6 vs.

7 3AP Inc. (C074 & RC074),

8 Respondent.

9
10 **STIPULATION AND ORDER FOR SETTLEMENT OF DISCIPLINARY ACTION**

11 The Cannabis Compliance Board (the “CCB” or the “Board”), by and through its
12 counsel, Aaron D. Ford, Attorney General for the State of Nevada, and Anthony T. Garasi,
13 Esq., Senior Deputy Attorney General, hereby enters into this Stipulation and Order for
14 Settlement of Disciplinary Action (“Stipulation and Order”) with Respondent 3AP Inc.
15 (hereinafter “3AP” or “Respondent”), by and through its counsel of record, Jared Kahn,
16 Esq., of JK Legal & Consulting, LLC. Pursuant to this Stipulation and Order, 3AP and the
17 CCB (collectively, the “Parties”) hereby stipulate and agree that CCB Case No. 2024-009
18 (the “Administrative Action”) shall be fully and finally settled and resolved upon the terms
19 and conditions set out herein.

20 **PERTINENT FACTS**

21 1. On or about May 14, 2024, the CCB initiated this disciplinary action via the
22 service and filing of a Complaint for Disciplinary Action (the “Complaint”). The Complaint
23 alleges, *inter alia*, that, contrary to Nevada law, the 3AP medical and adult-use cannabis
24 cultivation facility (C074 & RC074): (1) identified three disposal entries in its Packaging
25 Waste Log which did not have the corresponding entries recorded in Metrc; (2) failed to
26 report to the Board twenty-six (26) separate security equipment malfunctions/failures; and
27 (3) failed to post its State of Nevada Sales Tax Permit in conspicuous place during CCB
28 visit on August 7, 2023.

1 2. 3AP has not filed an Answer and/or a Request for a Hearing as of the date of
2 this Stipulation and Order. Rather, 3AP requested and was granted an extension to file its
3 Answer in order to attempt to negotiate resolution of the Administrative Action. The
4 Parties entered into good faith negotiations to resolve the Administrative Action and
5 reached an agreement in principle for resolving this case.

6 3. The Parties have engaged in good faith settlement negotiations to reach an
7 agreement that is mutually acceptable to Respondent, CCB staff, and counsel for the CCB
8 for resolution of the Administrative Action, with the understanding that this Stipulation
9 and Order must be approved by a majority vote of the members of the CCB to become
10 effective.

11 **ACKNOWLEDGEMENTS AND APPLICABLE LAW**

12 This Stipulation and Order is made and based upon the following acknowledgements
13 by the Parties:

14 4. 3AP enters into this Stipulation and Order on its own behalf and with full
15 authority to resolve the claims against it and is aware of 3AP's rights to contest the
16 violations pending against it. These rights include representation by an attorney at 3AP's
17 own expense, the right to file an Answer to the Complaint, the right to a hearing on any
18 violations or allegations formally filed, the right to confront and cross-examine witnesses
19 called to testify against 3AP, the right to present evidence on 3AP's own behalf, the right
20 to have witnesses testify on 3AP's behalf, the right to obtain any other type of formal
21 judicial review of this matter, and any other rights which may be accorded to 3AP pursuant
22 to provisions of NRS Chapters 678A through 678D, NRS Chapter 233B, the Nevada
23 Cannabis Compliance Regulations (NCCR), and any other provisions of Nevada law. 3AP
24 is waiving all these rights by entering into this Stipulation and Order. If the CCB rejects
25 this Stipulation and Order, or any portion thereof, all such waivers shall be deemed
26 withdrawn by 3AP.

27 5. Should this Stipulation and Order be rejected by the CCB or not timely
28 performed by 3AP, it is agreed that presentation to and consideration by the CCB of such

1 proposed stipulation or other documents or matters pertaining to the consideration of this
2 Stipulation and Order shall not unfairly or illegally prejudice the CCB or any of its
3 members from further participation, consideration, adjudication, and/or resolution of these
4 proceedings and that no CCB member shall be disqualified or challenged for bias.

5 6. 3AP acknowledges that this Stipulation and Order shall only become effective
6 after the CCB has approved it.

7 7. 3AP enters this Stipulation and Order after being fully advised of 3AP's rights
8 and as to the consequences of this Stipulation and Order. This Stipulation and Order
9 embodies the entire agreement reached between the CCB and 3AP. It may not be altered,
10 amended, or modified without the express written consent of the Parties, and all
11 alterations, amendments and/or modifications must be in writing. The Parties stipulate
12 and agree that this Stipulation and Order, if approved by the Board, resolves only the
13 allegations set forth in the Administrative Action via the Complaint in Case No. 2024-009.

14 8. In an effort to avoid the cost and uncertainty of a disciplinary hearing, 3AP
15 has agreed to settle these matters. For purposes of settling these matters, 3AP
16 acknowledges that the facts contained in the paragraphs in the above "Pertinent Facts"
17 section of this Stipulation and Order are true and correct. Without waiving any
18 constitutional rights against self-incrimination, 3AP further acknowledges that certain
19 facts contained in the CCB Complaint in Case No. 2024-009 could be found to constitute
20 violations of Title 56 of NRS (NRS Chapters 678A through 678D), and the NCCR, with civil
21 penalties of up to \$30,000.00 for licenses C074 and RC074, if these matters proceeded to an
22 administrative hearing.

23 9. In settling this matter, the Executive Director for CCB and counsel for CCB
24 have considered the factors set forth in NCCR 4.030(2), including: the gravity of the
25 violations; the economic benefit or savings, if any, resulting from the violations; the size of
26 the business of the violator; the history of compliance with the NCCR and Title 56 of NRS
27 by the violator; actions taken to remedy and/or correct the violations; and the effect of the
28 penalty on the ability of the violator to continue in business. The Executive Director for

1 CCB and counsel for CCB have also considered the appropriate mitigating factors in
2 reaching the proposed settlement of this Administrative Action. The mitigating factors in
3 Case No. 2024-009 include: (1) the fact that Respondent cooperated with the CCB's staff in
4 formulating and instituting a plan of correction (as set forth below) to prevent regulatory
5 violations from occurring in the future; and (2) Respondent also cooperated with the CCB's
6 counsel in resolving this matter shortly after the Complaint was filed. The CCB staff and
7 counsel appropriately weighted each of the mitigating factors and the Parties stipulate and
8 agree to the weight given to each factor. The two factors were weighed equally in further
9 reducing the number of violations admitted to and reducing the total civil penalties. The
10 Executive Director for CCB and counsel for CCB also took into account the size of the
11 Respondent's business and the impact of the civil penalties on its ability to continue with
12 its business. A reasonable civil penalty has been proposed in this Stipulation and Order,
13 and Respondent has been provided with a payment schedule that will allow full payment
14 within 30 days of the CCB approval of this Stipulation and Order to mitigate the financial
15 impact on Respondent.

16 10. To resolve the Administrative Action, and only for those purposes and no
17 other, 3AP specifically admits to the following single violation with respect to the
18 Complaint in CCB Case No. 2024-009:

- 19 a. One violation of NCCR 4.055(1)(a)(14) for failing to properly respond to
20 a Board or Board Agent's request for documentation, information,
21 video, or other records, which constitutes a Category IV violation.

22 As to the remaining allegations in the Complaint, 3AP neither admits nor denies those
23 allegations and no civil penalties shall be assessed as to those remaining violations.

24 11. With respect to licenses C074 & RC074, 3AP further agrees to pay a civil
25 penalty in the amount of \$2,000.00¹ in consideration for its admitted violation in
26 Paragraphs 10, above, and in consideration for the CCB's agreement to resolve the
27 Administrative Action on the terms set forth herein.

28 _____
¹ To be allocated to RC074.

1 of Two Thousand Dollars (\$2,000.00) within the time set forth in Paragraph 16 below, to
2 be apportioned as set forth in Paragraph 11, above.

3 17. Payment of Civil Penalties. 3AP must pay the total civil penalty set forth in
4 this agreement within the time frames set forth in this Paragraph and Paragraph 17. 3AP
5 shall pay the lump sum of \$2,000.00 in civil penalties within 30 days of the date the CCB
6 approves this Stipulation and Order.³

7 18. Penalties for Failure to Comply with Payment Deadlines. 3AP acknowledges
8 that it is critical to comply with the strict requirements of the deadline for payment set
9 forth in this agreement. 3AP agrees that, should it fail to timely make a payment by the
10 deadline set forth in Paragraph 16 above, the following penalties and procedures will be in
11 effect:

- 12 a. CCB will allow a five-business day grace period for late payment⁴.
- 13 b. If payment is not physically received by CCB at its Carson City or Las
14 Vegas office by 5:00 p.m., Pacific Time, on the last day of the grace
15 period, 3AP shall be deemed to be in breach of this Stipulation and
16 Order, deemed to be in default, and deemed to have admitted all
17 allegations in the CCB Complaint in Case No. 2024-009 and shall pay
18 all penalties and receive all discipline set forth under the "Relief
19 Requested" section of the Complaint, inclusive of the civil penalty of
20 \$22,500.00, and shall have its licenses C074 and RC074 immediately
21 suspended, with such suspension remaining in place until all amounts
22 due under this Stipulation and Order are paid in full and within 90
23 days of the order of default. The CCB will enter an order of default to
24 this effect after default and all amounts due under this subsection shall
25 be immediately due and payable to CCB. If all amounts due under this

26 ³ Which would be Monday, August 19, 2024, if the CCB approves this Stipulation and Order at its July 18,
27 2024, meeting.

28 ⁴ If a check or other form of payment is returned for insufficient funds, or otherwise rejected, the failed
payment will not be considered a payment and no additional time beyond the five business days grace period
will be granted for payment.

1 section are not paid within 90 days after the date of the order of default,
2 licenses C074 and RC074 shall be deemed voluntarily surrendered.
3 3AP agrees it cannot and will not file any petition for judicial review
4 and/or any action in any forum for relief from this order of default
5 and/or this Stipulation and Order, and that the CCB may file any
6 judicial action necessary to recover the amounts owed under this
7 subsection, along with its attorneys' fees and costs for recovery of
8 amounts owed.

9 c. 3AP may petition the CCB for an extension of 30 days to pay the
10 amount set forth in Paragraph 16. However, for the CCB to consider
11 any such petition, the CCB must receive said petition no later than 5
12 business days prior to the payment deadline (which does not include
13 any grace period). The CCB is not required to grant such a petition. In
14 such a petition, 3AP must demonstrate to the satisfaction of the CCB
15 that there are extraordinary and unusual circumstances necessitating
16 the extension requested and specify which installment deadline or
17 deadlines it is seeking an extension. The CCB may delegate the decision
18 as to whether to grant such a petition to the CCB Chair.

19 d. If an extension is granted under Paragraph 17(c), there shall be no
20 grace period on the new payment date or dates. If 3AP does not pay by
21 the new payment date or dates, the provisions and penalties of
22 Paragraph 17(b) apply.

23 19. Plan of Correction. Respondent represents and warrants that it has submitted
24 and put in place a plan of correction, which CCB staff has approved, that will remedy and
25 prevent the recurrence of the violations set forth in this Stipulation and Order. In
26 summary, the plan of correction regarding the Administrative Action includes the
27 following: (1) 3AP updated its Logs to comply with the NCCRs; (2) 3AP implemented a
28 security policy to ensure security equipment malfunctions are timely reported to the CCB;

1 (3) 3AP has added an additional responsibility to one position as an extra point of contact
2 to observe and report security equipment malfunctions; and (4) 3AP has posted in public
3 view its State of Nevada Sales Tax Permit. Respondent further represents and warrants
4 that it is now, as of the date it has executed this Stipulation and Order, operating in full
5 compliance with NRS Title 56 and NCCR.

6 20. Contingency if Approval Denied. If approval of this Stipulation and Order is
7 denied by the CCB, 3AP and counsel for the CCB agree to resume settlement negotiations
8 in good faith and attempt to reach an agreement to amend this Stipulation and Order and
9 resubmit an amended Stipulation and Order to the CCB to review for approval at a
10 subsequent regularly scheduled CCB meeting. If such an agreement cannot be reached, the
11 Parties agree to proceed with the Administrative Action, with 3AP to timely file its Answer
12 and Request for Hearing, and the matter to proceed to a disciplinary hearing before the
13 CCB's assigned hearing officer in the ordinary course. Should the Administrative Action
14 proceed for the reasons set forth in this Paragraph, CCB preserves all its claims and
15 arguments in the Administrative Action as set forth in its Complaint and 3AP preserves
16 all its defenses and arguments it may set forth in its Answer, and withdraws all waivers
17 set forth herein. An unapproved Stipulation and Order shall not be admissible as evidence
18 or referenced in argument at any disciplinary hearing in CCB Case No. 2024-009 or any
19 other matter involving the CCB.

20 21. Contingency if Approval Conditioned. If the CCB approves this Stipulation
21 and Order, but said approval is contingent on certain conditions, the Parties will undertake
22 further good faith negotiations to include said conditions in an amended stipulation and
23 order for execution by the CCB Chair. If 3AP does not agree to the certain conditions
24 imposed by the CCB, the Parties will undertake additional negotiations and attempt to
25 reach an agreement to amend this Stipulation and Order and resubmit an amended
26 stipulation and order to the CCB to review for approval at a subsequent regularly scheduled
27 meeting. If such an agreement cannot be reached, the Parties agree to proceed with the
28 Administrative Action, with 3AP to timely file its Answer and Request for Hearing, and the

1 matter to proceed to a disciplinary hearing before the CCB's assigned hearing officer in the
2 ordinary course. Should the Administrative Action proceed for the reasons set forth in this
3 Paragraph, CCB preserves all its claims and arguments in the Administrative Action as
4 set forth in its Complaint and 3AP preserves all its defenses and arguments it may set forth
5 in its Answer, and withdraws all waivers set forth herein. An unapproved Stipulation and
6 Order shall not be admissible as evidence or referenced in argument at any disciplinary
7 hearing in CCB Case No. 2024-009 or any other matter involving the CCB.

8 22. Closure of Disciplinary Action. Once this Stipulation and Order is fully
9 performed by 3AP, the Administrative Action will be closed.

10 23. Communications with CCB Members. 3AP understands that this Stipulation
11 and Order will be presented to the CCB in open session at a duly noticed and scheduled
12 CCB meeting. 3AP understands that the CCB has the right to decide in its own discretion
13 whether or not to approve this Stipulation and Order. The CCB's counsel, which is the
14 Nevada Attorney General and its staff attorneys, will recommend approval of this
15 Stipulation and Order. In the course of seeking CCB acceptance of this Stipulation and
16 Order, counsel for CCB may communicate directly with individual CCB members. 3AP
17 acknowledges that such communications may be made or conducted *ex parte*, without notice
18 or opportunity for 3AP to be heard on its part until the public CCB meeting where this
19 Stipulation and Order is discussed, and that such contacts and communications may
20 include, but may not be limited to, matters concerning this Stipulation and Order, the
21 Administrative Action and any and all information of every nature whatsoever related to
22 these matters. 3AP agrees that it has no objections to such *ex parte* communications. The
23 CCB agrees that 3AP and/or its counsel may appear at the CCB meeting where this
24 Stipulation and Order is discussed and, if requested, respond to any questions that may be
25 addressed to 3AP and/or the Nevada Attorney General's staff attorneys. 3AP agrees that,
26 should the CCB decline to approve this Stipulation and Order, 3AP will not contest or
27 otherwise object to any CCB member, and/or CCB appointed hearing officer, hearing and
28 adjudicating the Administrative Action based on the aforementioned *ex parte*

1 communications with anyone from the Nevada Attorney General's Office.

2 24. Release. Respondent agrees that the State of Nevada, the CCB, the Office of
3 the Attorney General, and each of their members, staff, attorneys, investigators, experts,
4 hearing officers, consultants and agents are immune from any liability for any decision or
5 action taken in good faith in response to information and data acquired by the CCB.
6 Respondent agrees to release the State of Nevada, the CCB, the Office of the Attorney
7 General, and each of their members, staff, attorneys, investigators, experts, hearing
8 officers, consultants and agents from any and all manner of actions, causes of action, suits,
9 debts, judgments, executions, claims and demands whatsoever, known or unknown, in law
10 or equity, that Respondent ever had, now has, may have or claim to have against any and/or
11 all of the persons, government agencies or entities named in this Paragraph, arising out of,
12 or by reason of, CCB's investigation of the matters set forth in the Complaint, the matters
13 set forth in this Stipulation and Order, and/or the administration of CCB Case No. 2024-
14 009.

15 25. No Precedent. The Parties agree: (1) That this Stipulation and Order shall
16 not constitute a precedent for any other issues or proceedings before the CCB and/or in any
17 other forum, other than those set forth in this Stipulation and Order; (2) That this
18 Stipulation and Order shall not be admissible in any other proceeding or action with respect
19 to proof of fact or any other matter and/or any other licensee and/or cannabis establishment,
20 except proceedings brought to enforce this Stipulation and Order under its terms and/or for
21 the CCB's consideration of future disciplinary action against this Respondent.

22 Furthermore, the CCB may consider the discipline imposed herein in any future
23 disciplinary action against Respondent, as required under NCCR 4.030(2), along with the
24 other factors set forth in NCCR 4.030(2), and possible progressive discipline pursuant to
25 NCCR 4.055(2). As every case concerns different facts and details, this Stipulation does
26 not act as precedent, or persuasive authority, to bind CCB to impose any particular penalty,
27 to charge or allege any particular violation, and/or to impose any particular disciplinary
28 action in the future for this Respondent, or any other respondent, for violations of the same

1 statutes and/or regulations addressed in this Stipulation and Order. Likewise, CCB is not
2 bound by any previous settlement agreements it has approved in entering into this
3 Stipulation and Order.

4 26. Attorneys' Fees and Costs. The Parties each agree to bear their own attorneys'
5 fees and costs.

6 27. Further Assurances. The Parties shall cooperate in executing such additional
7 documents and performing such further acts as may be reasonably necessary to give effect
8 to the purposes and provisions of this Stipulation and Order.

9 28. Voluntary and Informed Agreement. The Respondent represents that its
10 owners, officers, and/or its directors, who are responsible for and able to legally bind 3AP
11 have read completely and understand fully the terms of this Stipulation and Order, that
12 such terms are fully understood and voluntarily accepted by Respondent in advance of and
13 as memorialized by the signing of this Stipulation and Order, and that the Respondent's
14 signature to this Stipulation and Order indicates same. Respondent further represents that
15 it has voluntarily entered into this Stipulation and Order to make a full, final, and complete
16 compromise upon the terms and conditions set forth herein. Respondent further represents
17 that any releases, waivers, discharges, covenants, and agreements provided for in this
18 Stipulation and Order have been knowingly and voluntarily granted and without any
19 duress or undue influence of any nature from any person or entity. The Parties, and each
20 of them, hereby expressly acknowledge that they are each represented by counsel of their
21 own choice in this matter and have been advised by counsel accordingly.

22 29. Warranties of Authority. The Parties to this Stipulation and Order, and each
23 of them, expressly warrant and represent to all other Parties that each has the full right,
24 title, and authority to enter into and to carry out its obligations hereunder, with the sole
25 exception of the required approval of this Stipulation and Order by the CCB. The Parties
26 also expressly acknowledge the foregoing authority.

27 30. Binding Effect. This Stipulation and Order shall be binding upon and inure
28 to the benefit of the Parties hereto and the Parties' respective successors, predecessors,

1 parents, affiliates, shareholders, employees, heirs, executors, assigns, and administrators.

2 31. Construction. The headings of all Sections and Paragraphs of this Stipulation
3 and Order are inserted solely for the convenience of reference and are not a part of the
4 Stipulation and Order and are not intended to govern, limit, or aid in the construction or
5 interpretation of any term or provision of this Stipulation and Order. In the event of a
6 conflict between such caption and the paragraph at the head of which it appears, the
7 paragraph and not such caption shall govern in the construction of this Stipulation and
8 Order.

9 32. Governing Law. This Stipulation and Order shall be governed by and
10 construed in accordance with the laws of the State of Nevada, without reference to conflict
11 of law principles.

12 33. Jurisdiction and Forum Selection. The Parties consent to the jurisdiction of
13 the Eighth Judicial District Court of the State of Nevada, in and for Clark County, to
14 resolve any disputes related to the terms or enforcement of this Stipulation and Order. The
15 successful or prevailing Party or Parties in such action shall be entitled to recover
16 reasonable attorney fees, costs, and expenses actually incurred in initiating or responding
17 to such proceeding, in addition to any other relief to which it may be entitled.

18 34. Interpretation. This Stipulation and Order is the result of negotiations among
19 the Parties who have each negotiated and reviewed its terms. In the event a Court ever
20 construes this Agreement, the Parties expressly agree, consent, and assent that such Court
21 shall not construe this Agreement or any provision hereof against any Party as its drafter
22 for purposes of interpreting any ambiguity or uncertainty in this Stipulation and Order.


23 35. Time is of the Essence. Time is of the essence in the performance of all terms
24 of this Stipulation and Order.

25 36. Severability. If any portion of this Stipulation and Order, or its application
26 thereof to any person or circumstance, shall be deemed to any extent to be invalid, illegal,
27 or unenforceable as a matter of law, all remaining clauses of this Stipulation and Order
28 and its application thereof shall be not affected and shall remain enforceable to the fullest

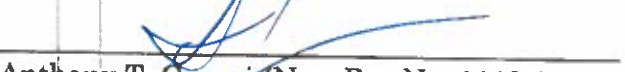
1 extent permitted by law.

2 37. Counterparts and Copies. This Stipulation and Order may be executed in
3 counterparts, each of which when so executed and upon delivery to counsel of record for the
4 Parties shall be deemed an original ("Counterparts"). This Stipulation and Order shall be
5 deemed executed when Counterparts of this Stipulation and Order have been executed by
6 all the Parties and/or their counsel; such Counterparts taken together shall be deemed to
7 be the Agreement. This Stipulation and Order may be executed by signatures provided by
8 electronic facsimile or email, which signatures shall be binding and effective as original
9 wet ink signatures hereupon. All fully executed copies of this Stipulation and Order are
10 duplicate originals, equally admissible in evidence.

11 IN WITNESS WHEREOF, this Stipulation and Order has been executed by the
12 Parties and attested by their duly authorized representatives as of the date(s) so indicated.
13 The Effective Date of this Stipulation and Order shall be the date it is ordered by the CCB.

14
15  Date: 6/20/2024
16 Jared Kahn, Esq. (Nev. Bar No. 12603)
17 Counsel for Respondent 3AP

18
19  Date: 6/19/2024
20 Arash Yazdanpanah
21 On behalf of Respondent 3AP

22
23  Date: 6-21-24
24 Anthony T. Garasi (Nev. Bar No. 11134)
25 Senior Deputy Attorney General
26 Counsel for Cannabis Compliance Board

27 **ORDER**

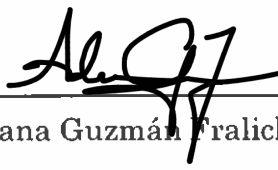
28 WHEREAS, on the 18th day of July 2024, the Nevada Cannabis Compliance Board
approved and adopted all the terms and conditions set forth in the Stipulation and Order

1 for Settlement of Disciplinary Action with 3AP.

2
3 IT IS SO ORDERED.

4 SIGNED AND EFFECTIVE this 18th day of July, 2024.

5 STATE OF NEVADA,
6 CANNABIS COMPLIANCE BOARD

7
8 By: 
9 Adriana Guzmán Fralick, Chair

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