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11
 12 **BEFORE THE**
 13 **CALIFORNIA GAMBLING CONTROL COMMISSION**
 14 **STATE OF CALIFORNIA**

16 In the Matter of the Initial Third-Party Provider
 of Proposition Player Services State Gambling
 17 License Applications for:
 18 **KNIGHTED VENTURES, LLC**
ROY CHOI & JIEHO LEE
 19 645 W. 9th Street, #110-425
 Los Angeles, CA 90015
 20
 21 **Applicants.**
 22

CGCC Case No. CGCC-2020-061103
 BGC Case No. BGC-HQ2020-00022SL

STATEMENT OF PARTICULARS

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1 **PARTIES TO THIS MATTER**

2 1. Yolanda Morrow submits this Statement of Particulars solely in her official capacity
3 as the Acting Director of the California Department of Justice, Bureau of Gambling Control
4 (Bureau).

5 2. Knighted Ventures, LLC (Knighted) is a Third-Party Provider of Proposition Player
6 Services organized in California on July 15, 2011, registration number TPPP-000109. The
7 current managing members of Knighted are Roy Choi (Mr. Choi), registration number TPOW-
8 000478, and Jieho Lee (Mr. Lee), registration number TPOW-000479. Mr. Choi's ownership
9 interest in Knighted is 95 percent. Mr. Lee's ownership interest in Knighted is five percent.
10 Knighted, Mr. Choi as a managing member, and Mr. Lee as a managing member are collectively
11 referred to as "Applicants."

12 **OTHERS RELEVANT TO THIS MATTER**

13 3. Fortiss, LLC (Fortiss) is a consulting company that was organized by John H. Park
14 (Mr. Park) in May 2004, in Nevada. Fortiss provides administrative services in the areas of
15 management, recruiting, hiring, training, information technology, industry certification, career
16 development, human resources, accounting, and assistance with state and local licensing
17 compliance, and legal services including contract, regulatory guidance, and litigation
18 management (collectively, Services). The current members of Fortiss are the John H. Park Trust,
19 dated July 18, 2012 (Trust) and Michael Charles Vasey (Mr. Vasey). Emily Park is a successor
20 trustee of the Trust. The Trust's ownership interest in Fortiss is 99.5 percent, and Mr. Vasey's
21 ownership interest is 0.5 percent. Mr. Park is the manager of Fortiss, and Mr. Park is also the
22 Trust's trustee, settlor, and sole beneficiary.

23 4. Mr. Park's gambling establishments are: Cal-Pac Rancho Cordova dba Parkwest
24 Casino Cordova's (Cordova) (GEGE-001300); Cal-Pac Sonoma, LLC dba Parkwest Casino
25 Sonoma (Sonoma) (GEGE-000005); The Silver F, Inc., dba Parkwest Casino Lotus (Lotus)
26 (GEGE-001321); Lodi Cardroom, Inc. dba Parkwest Casino Lodi (Lodi) (GEGE-001299); Casino
27 580, LLC dba Parkwest Casino 580 (Casino 580) (GEGE-001322); and The River Card Room,
28 Inc. dba The River Card Room (The River) (GEGE-001092) (collectively, the Parkwest Casinos).

1 The six Parkwest Casinos are all owned by business entities, which are wholly or partially owned
2 by Mr. Park. Several of the Parkwest Casinos lease their premises from business entities, which
3 are owned by Mr. Park and Fortiss.

4 **HISTORY OF APPLICATIONS**

5 5. On or about March 14, 2013, the Bureau received from each of the Applicants
6 Applications for Third-Party Proposition Player Services Licenses.

7 6. On or about December 20, 2019, the Bureau submitted Initial Background
8 Investigation Reports to the Commission recommending that the Commission approve the
9 Applicants' Applications for Third-Party Proposition Player Services State Gambling Licenses.

10 7. On June 11, 2020, pursuant to California Code of Regulations, title 4, section 12054,
11 subdivision (a)(2), the Commission voted to refer consideration of the Applications to an
12 evidentiary hearing to be conducted before the Commission as a Gambling Control Act (GCA)
13 hearing under the provisions of California Code of Regulations, title 4, section 12060.

14 8. Each of the Applicants timely submitted a Notice of Defense.

15 **BURDEN OF PROOF**

16 9. Applicants have the burden of proving that they are qualified to receive a state
17 gambling license. (Bus. & Prof. Code, § 19856, subd. (a).)

18 **LICENSURE CONSIDERATIONS**

19 **(Factors in Aggravation and Mitigation)**

20 10. Knighted has contracts with five of Mr. Park's six Parkwest Casinos to provide Third-
21 Party Player Proposition Services (TPPPS). These gambling establishments are Cordova,
22 Sonoma, Lotus, Lodi, and Casino 580.¹

23 ¹ On or about September 16, 2019, the Bureau submitted an Initial Background
24 Investigation Report to the Commission recommending that the Commission approve the State
25 Gambling License for Mr. Park as the manager of Fortiss, and Mr. Vasey as a member of Fortiss.
However, the Bureau's recommendation included the following condition:

26 Within 30 days of the Commission's approval, Fortiss, LLC
27 shall terminate its Administrative Services Agreement with
28

1 11. Since February 8, 2012, Fortiss has provided services to Knighted.

2 12. On October 1, 2018, Fortiss entered into its current agreement with Knighted. This
3 agreement states that Fortiss is to provide services in the areas of accounting, human resources,
4 information technology, and legal services that includes contracts, regulatory guidance and
5 litigation support (Contractor Services). Fortiss provides legal services to Knighted under this
6 current agreement that includes “guidance with entity, owner, and employee state and local
7 licensing laws” and “[l]itigation support.” The current agreement also authorizes Fortiss to
8 provide Knighted with “[a]dditional miscellaneous services as may be specifically requested by
9 Client to Contractor in writing from time to time.”

10 13. Knighted is paying Fortiss a fixed monthly rate of \$166,667 for providing these
11 Contractor Services under the October 1, 2018 month-to-month agreement. In response to a
12 question regarding how Fortiss and Knighted calculated this monthly rate, on November 20,
13 2019, Mr. Vasey advised Bureau staff as follows:

14 The contract rate stated in the Fortiss/Knighted Ventures agreement
15 is negotiated by the Parties. In preparation for the negotiations, Fortiss
16 performed a confidential internal calculation to determine the actual
17 costs it incurs in providing the services to Knighted Ventures, plus
18 17%.

19 14. After Knighted began providing TPPPS to Cordova, in 2014 Fortiss and its attorneys
20 were involved in the review of an incident report regarding a dealer cheating scheme at Cordova.
21 On or about January 6, 2015, Bureau staff contacted Cordova staff to request Cordova’s final
22 incident report regarding the cheating scheme. Cordova staff delayed turning over the final
23 incident report to the Bureau in order to provide time for the report’s review and editing by
24 Fortiss and its attorneys. As a result of Cordova’s delay in providing the final incident report to

25 Knighted Ventures, LLC or Parkwest Casino Cordova, Parkwest
26 Casino Sonoma, Parkwest Casino Lotus, Parkwest Casino 580, and
27 Parkwest Casino Lodi must terminate their contracts with Knighted
28 Ventures, LLC. (Bureau’s Recommended Licensing Condition.)

See California Gambling Control Commission Case Number CGCC-2020-0227-11A-F.

1 the Bureau, the Bureau mailed a Letter of Warning to Cordova's Designated Agent, Mr. Vasey,
2 on January 7, 2015.

3 15. During a Commission meeting held on October 20, 2016, Commissioner's questioned
4 Mr. Vasey regarding Cordova's delay in January, 2015, with providing the Bureau its final
5 incident report regarding the dealer cheating scheme. The questions asked and answered
6 regarding the reasons for Fortiss' review of the final incident report during this Commission
7 meeting included the following:

8 *Commissioner Conklin:* When you say litigation you are concerned
9 about the former employee suing?

10 *Mr. Vasey:* Correct, there is litigation going on today. That's exactly
11 why we were concerned about this.

12 *Commissioner Conklin:* So the only issue is that Fortiss reviewed and
13 that Fortiss' attorney reviewed and this incident had to do with HR
14 issues.

15 *Mr. Vasey:* HR, there could be criminal things if this had gone to a
16 criminal court. Mr. Park is going to be the one to defend it and so we
17 want to make sure Mr. Park is not put in jeopardy for any type of
18 information that's heard over as evidence. It has to do with accuracy.

19 16. The Bureau conducted a comprehensive investigation of the 2014 incident regarding
20 the dealer cheating scheme at Cordova. At the investigation's conclusion Bureau staff forwarded
21 the case to the Sacramento District Attorney's Office for charges against the involved patron and
22 dealers. However, the Sacramento District Attorney's Office declined to file charges because the
23 Fortiss attorney had reviewed/edited the final incident report and witness/employee statements.

24 17. The treasurer of Fortiss, Tom Chan (Mr. Chan) has signature authority on Knighted's
25 payroll and operating accounts. Mr. Chan also has signature authority on the business account for
26 Majesty Partners, LLC; a TPPPS partially owned by Knighted. Both Fortiss and Knighted use
27 the same external CPA firm—Meloni, Hribal, & Tratner LLP—to prepare their annual financial
28 statements.

1 18. The business relationship between Fortiss, Cordova, Sonoma, Lotus, Lodi, Casino
2 580, and Knighted, described in paragraphs 1 through 17, undermines the public trust that the
3 controlled gambling relationship operations covered by Fortiss' contract with Knighted will be
4 conducted honestly, by reason of the existence or perception of any collusive arrangement
5 between any party to the contract and the holder of a state gambling license. Further, this
6 business relationship is prohibited by California Code of Regulations, title 4, section 12272,
7 subdivision (a)(1)(D).

8 19. The business relationship between Fortiss, Cordova, Sonoma, Lotus, Lodi, Casino
9 580, and Knighted, described above in paragraphs 1 through 17, poses a threat to the effective
10 regulation and control of controlled gambling and enhances the dangers of unsuitable, unfair, or
11 illegal practices, and activities in the conduct of controlled gambling or in the carrying on of the
12 business and financial arrangements. This business relationship could be grounds for denial
13 under Business and Professions Code section 19857, subdivision (b).

14 20. Applicants have been cooperative throughout the application process.

15 21. Provided that a condition is placed on the State Gambling License for Mr. Park as the
16 manager of Fortiss, and Mr. Vasey as a member of Fortiss requiring that Fortiss, once approved
17 by the Commission, must cancel its agreement with Knighted, or the five Parkwest Casinos
18 currently receiving TPPPS from Knighted (Cordova, Sonoma, Lotus, Lodi, and Casino 580) must
19 cancel their agreements with Knighted² in an effort to maintain the public's trust and avoid the
20 perception of any collusive agreements, the Bureau recommends approval of the Applicants'
21 Third-Party Provider of Proposition Player Services State Gambling License Applications.

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28 ² See fn. 1, *supra*.

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CONCLUSION

WHEREFORE, Acting Director Morrow requests that following the hearing to be held on the matters herein alleged, the Commission take such action as it may deem appropriate.

Dated: August 27, 2021.



YOLANDA MORROW, ACTING DIRECTOR
Bureau of Gambling Control
California Department of Justice

1 **APPENDIX A**

2 **JURISDICTION AND PROCEDURE**

- 3 1. Business and Professions Code section 19811, subdivision (b), provides:

4 Jurisdiction, including jurisdiction over operation and
5 concentration, and supervision over gambling establishments in this
6 state and over all persons or things having to do with the operation of
7 gambling establishments is vested in the commission.

- 8 2. Business and Professions Code, section 19823 provides:

9 (a) The responsibilities of the commission include,
10 without limitation, all of the following:

11 (1) Assuring that licenses, approvals, and permits are
12 not issued to, or held by, unqualified or disqualified persons, or
13 by persons are conducted in a manner that is inimical to the
14 public health, safety, or welfare.

15 (2) Assuring that there is no material involvement,
16 directly or indirectly, with a licensed gambling operation, or
17 the ownership or management thereof, by unqualified or
18 disqualified persons, or by persons whose operations are
19 conducted in a manner that is inimical to the public health,
20 safety, or welfare.

21 (b) For the purposes of this section, “unqualified
22 person” means a person who is found to be unqualified pursuant
23 to the criteria set forth in Section 19857, and “disqualified
24 person” means a person who is found to be disqualified pursuant
25 to the criteria set forth in Section 19859.

- 26 3. Business and Professions Code, section 19824 provides, in part:

27 The commission shall have all powers necessary and proper to
28 enable it fully and effectually to carry out the policies and purposes of
29 this chapter,³ including, without limitation, the power to do all of the
30 following:

31 * * *

32 (b) For any cause deemed reasonable by the
33 commission, deny any application for a license, permit, or
34 approval provided for in this chapter or regulations adopted
35 pursuant to this chapter, limit, condition, or restrict any license,
36 permit, or approval, or impose any fine upon any person licensed
37 or approved. The commission may condition, restrict, discipline,
38 or take action against the license of an individual owner

³ Hereinafter, “chapter” refers to Business and Professions Code, division 8, chapter 5,
(commencing with section 19800), also known as the Gambling Control Act.

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endorsed on the license certificate of the gambling enterprise whether or not the commission takes action against the license of the gambling enterprise.

* * *

(d) Take actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities.

4. Business and Professions Code, section 19853, subdivision (a), provides:

The commission, by regulation or order, may require that the following persons register with the commission, apply for a finding of suitability as defined in subdivision (i) of 19805, or apply for a gambling license:

* * *

(3) Any person who does business on the premises of a licensed gambling establishment.

5. Business and Professions Code, section 19870 provides:

(a) The commission, after considering the recommendation of the chief⁴ and any other testimony and written comments as may be presented at the meeting, or as may have been submitted in writing to the commission prior to the meeting, may either deny the application or grant a license to an applicant who it determines to be qualified to hold the license.

(b) When the commission grants an application for a license or approval, the commission may limit or place restrictions thereon as it may deem necessary in the public interest, consistent with the policies described in this chapter.

(c) When an application is denied, the commission shall prepare and file a detailed statement of its reasons for the denial.

(d) All proceedings at a meeting of the commission relating to a license application shall be recorded stenographically or by audio or video recording.

(e) A decision of the commission denying a license or approval, or imposing any condition or restriction on the grant of a license or approval may be reviewed by petition pursuant to Section 1085 of the Code of Civil Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply to any judicial proceeding described in the foregoing sentence, and the court may grant the petition only if the court finds that the action of the commission was arbitrary and capricious, or that the action exceeded the commission's jurisdiction.

⁴ "Chief" refers to the Director of the Bureau. (Bus. & Prof. Code, § 19805, subd. (d).)

1 6. Business and Professions Code, section 19871 provides:

2 (a) The commission meeting described in Section 19870 shall
3 be conducted in accordance with regulations of the commission and
4 as follows:

5 (1) Oral evidence shall be taken only upon oath
6 or affirmation.

7 (2) Each party shall have all of the following
8 rights:

9 (A) To call and examine witnesses.

10 (B) To introduce exhibits relevant to the
11 issues of the case.

12 (C) To cross-examine opposing witnesses
13 on any matters relevant to the issues, even though
14 the matter was not covered on direct examination.

15 (D) To impeach any witness, regardless
16 of which party first called the witness to testify.

17 (E) To offer rebuttal evidence.

18 (3) If the applicant does not testify in his or her
19 own behalf, he or she may be called and examined as if
20 under cross-examination.

21 (4) The meeting need not be conducted
22 according to technical rules relating to evidence and
23 witnesses. Any relevant evidence may be considered, and is
24 sufficient in itself to support a finding, if it is the sort of
25 evidence on which responsible persons are accustomed to
26 rely in the conduct of serious affairs, regardless of the
27 existence of any common law or statutory rule that might
28 make improper the admission of that evidence over
 objection in a civil action.

 (b) Nothing in this section confers upon an applicant a right to
 discovery of the department's⁵ investigative reports or to require
 disclosure of any document or information the disclosure of which
 is otherwise prohibited by any other provision of this chapter.

 7. California Code of Regulations, title 4, section 12054, subdivision (a)(2) provides:

 (a) At a non-evidentiary hearing meeting, the Commission may
 take, but is not limited to taking, one of the following actions:

* * *

5 "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd.
(h).)

1 (2) Elect to hold an evidentiary hearing in accordance
2 with Section 12056 and, when for a renewal application,
3 issue an interim renewal license pursuant to Section 12035.
4 The Commission shall identify those issues for which it
requires additional information or consideration related to
the applicant's suitability.

5 8. California Code of Regulations, title 4, section 12056, subdivision (a) provides, in
6 part:

7 If the Commission elects to hold an evidentiary hearing, the
8 hearing will be conducted as a GCA hearing under Section 12060,
9 unless the Executive Director or the Commission determines the
hearing should be conducted as an APA hearing under Section
12058

10 9. California Code of Regulations, title 4, section 12060, subdivision (b) provides:

11 When the Commission has elected to hold a GCA hearing, the
12 Executive Director shall give notice to the applicant, pursuant to
13 paragraph (2) subsection (c) of Section 12052, to the Office of the
Attorney General, and to the Bureau no later than 60 calendar days in
advance of the GCA hearing.

14 **SPECIFIC STATUTORY PROVISIONS**

15 10. Business and Professions Code, section 19855 provides:

16 Except as otherwise provided by statute or regulation, every
17 person who, by statute or regulation, is required to hold a state license
18 shall obtain the license prior to engaging in the activity or occupying
19 the position with respect to which the license is required. Every person
who, by order of the commission, is required to apply for a gambling
license or a finding of suitability shall file the application within 45
calendar days after receipt of the order.

20 11. Business and Professions Code, section 19856 provides:

21 (a) Any person who the commission determines is
22 qualified to receive a state license, having due consideration for
the proper protection of the health, safety, and general welfare of
23 the residents of the State of California and the declared policy of
this state, may be issued a license. The burden of proving his or
her qualifications to receive any license is on the applicant.

24 (b) An application to receive a license constitutes a
25 request for a determination of the applicant's general character,
integrity, and ability to participate in, engage in, or be associated
26 with, controlled gambling.

27 (c) In reviewing an application for any license, the
28 commission shall consider whether issuance of the license is
inimical to public health, safety, or welfare, and whether

1 issuance of the license will undermine public trust that the
2 gambling operations with respect to which the license would be
3 issued are free from criminal and dishonest elements and would
4 be conducted honestly.

5 12. Business and Professions Code, section 19857 provides:

6 No gambling license shall be issued unless, based on all of the
7 information and documents submitted, the commission is satisfied that
8 the applicant is all of the following:

9 (a) A person of good character, honesty, and integrity.

10 (b) A person whose prior activities, criminal record, if
11 any, reputation, habits, and associations do not pose a threat to
12 the public interest of this state, or to the effective regulation and
13 control of controlled gambling, or create or enhance the dangers
14 of unsuitable, unfair, or illegal practices, methods, and activities
15 in the conduct of controlled gambling or in the carrying on of the
16 business and financial arrangements incidental thereto.

17 (c) A person that is in all other respects qualified to be
18 licensed as provided in this chapter.

19 13. Business and Professions Code section 19859 provides, in part:

20 The commission shall deny a license to any applicant who is
21 disqualified for any of the following reasons:

22 (a) Failure of the applicant to clearly establish eligibility
23 and qualification in accordance with this chapter.

24 (b) Failure of the applicant to provide information,
25 documentation, and assurances required by this chapter or
26 requested by the chief, or failure of the applicant to reveal any
27 fact material to qualification, or the supplying of information
28 that is untrue or misleading as to a material fact pertaining to the
qualification criteria.

* * *

(d) Conviction of the applicant for any misdemeanor
involving dishonesty or moral turpitude within the 10-year
period immediately preceding the submission of the application,
unless the applicant has been granted relief pursuant to Section
1203.4, 1203.4a, or 1203.45 of the Penal Code; provided,
however, that the granting of relief pursuant to Section 1203.4,
1203.4a, or 1203.45 of the Penal Code shall not constitute a
limitation on the discretion of the commission under Section
19856 or affect the applicant's burden under Section 19857.

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14. Business and Professions Code section 19866 provides:

An applicant for licensing or for any approval or consent required by this chapter, shall make full and true disclosure of all information to the department and the commission as necessary to carry out the policies of this state relating to licensing, registration, and control of gambling.

15. California Code of Regulations, title 4, section 12272, subdivision (a)(1)(D), provides:

(a)(1) Proposition player services must not be provided except pursuant to a written proposition player contract approved in advance by the Bureau. Provision of proposition player services by any person subject to registration or licensing under this chapter, or engagement of proposition player services by the holder of the state gambling license, without a contract as required by this section is a violation of this section. The Bureau must approve a proposition player contract only if all the following requirements have been satisfied:

* * *

(D) The contract will not undermine public trust that the controlled gambling operations covered by the contract will be conducted honestly, by reason of the existence or perceived of any collusive arrangement between any party to the contract and the holder of a state gambling license, or otherwise.