

BEFORE THE
CALIFORNIA GAMBLING CONTROL COMMISSION

In the Matter of the Application for an Initial
Proposition Player Services State Gambling
License Regarding:

KNIGHTED VENTURES, LLC; ROY CHOI
AND JIEHO LEE

Applicants.

CGCC Case No. CGCC-2020-0611-3
BGC Case No. BGC-HQ2020-00022SL

DECISION AND ORDER

Hearing Dates: August 24, 25, 26, 29, 30,
31, 2022 and September 1, 2,
6, 7, 2022

Time: 9:00 a.m.

This matter was heard by the California Gambling Control Commission (Commission) pursuant to Business and Professions Code sections 19870 and 19871 and Title 4, California Code of Regulations (CCR) section 12060, and held via Zoom video conference, on August 24, 25, 26, 29, 30, 31, and September 1, 2, 6, and 7, 2022.

Jeremy Stevens and Lisa Freund, Deputies Attorney General, State of California, represented complainant Yolanda Morrow, Director of the Bureau of Gambling Control (Bureau), Department of Justice, State of California.

Attorneys Tammy Tsoumas, Matthew Summers, and Nathaniel Haas, of Kirkland and Ellis, LLP, represented the applicants, Knighted Ventures, LLC (Knighted) and its members, Roy Choi (Choi) and Jieho Lee (Lee) (hereinafter collectively referred to as "Knighted Applicants").¹ Choi and Lee were present at the hearing on behalf of the Knighted Applicants.

Pursuant to a Consolidation Order issued by Presiding Officer Pope on December 9, 2020, Attorneys Barry Lee, Randal Keen, Justin Jones Rodriguez, and Misa Eiritz of Manaat, Phelps and Phillips, LLP represented the applicants, Fortiss, LLC (Fortiss), and its members, Michael Vasey (Vasey) and the John H. Park Trust Under Declaration of Trust Dated July 18, 2012 (Trust), John Park (Park) as the Manager of Fortiss, and the trustee, settlor, and beneficiary of the

¹ Despite consolidation of the Fortiss and Knighted Applications for evidentiary hearing, a separate decision will be issued by the Commission for the Fortiss Applicants.

1 Trust, and Emily Park as the Trust's successor trustee (hereinafter collectively referred to as
2 "Fortiss Applicants"). Vasey and Park were present at the hearing on behalf of the Fortiss
3 Applicants.

4 During the evidentiary hearing, Presiding Officer Jason Pope took official notice of the
5 following documents relating to the Knighted Applicants: January 15, 2021, Commission's
6 Notice of Hearing and Prehearing Conference with attachment (A) Applications for State
7 Gambling License for Knighted Applicants and (B) Bureau's Investigation Report; May 12, 2021,
8 Commission's Notice of Continued Hearing; September 15, 2021, Presiding Officer's Conclusion
9 of Prehearing Conference letter; October 21, 2021, Commission's Notice of Continued Hearing;
10 December 1, 2021, Commission's Notice of Time Change of Hearing; the Bureau's Statement of
11 Particulars; Notices of Defense signed by Knighted Applicants; and Presiding Officer's Order of
12 Hearing Consolidation.

13 During the evidentiary hearing, Presiding Officer Jason Pope took official notice of the
14 following documents relating to the Fortiss Applicants: July 29, 2020, Commission's Notice of
15 Hearing and Prehearing Conference with attachment (A) Applications for State Gambling License
16 for Fortiss Applicants and (B) Bureau's Investigation Report; September 14, 2020, Commission's
17 Amended Notice of Hearing; September 25, 2020, Presiding Officer's Conclusion of Prehearing
18 Conference letter; January 15, 2021, Commission's Notice of Continued Hearing; May 12, 2021,
19 Commission's Notice of Continued Hearing; September 15, 2021, Presiding Officer's Conclusion
20 of Prehearing Conference letter; October 21, 2021, Commission's Notice of Continued Hearing;
21 December 1, 2021, Commission's Notice of Time Change of Hearing; the Bureau's Statement of
22 Particulars; Notices of Defense signed by Fortiss Applicants; and Presiding Officer's Order of
23 Hearing Consolidation.

24 During the evidentiary hearing, the Presiding Officer accepted into evidence the following
25 exhibits offered by the parties, all of which contain bates numbers and a Table of Contents that
26 separately identifies each document by exhibit and bates stamp number:

- 27 1) Bureau's Exhibits 1 to 94, Admitted August 24, 2022;
- 28 2) Fortiss' Exhibits 1 to 266, Admitted August 24, 2022;

- 1 3) Fortiss' Exhibit 269, Admitted August 26, 2022;
- 2 4) Fortiss' Exhibit 267, Admitted August 30, 2022;
- 3 5) Fortiss' Exhibit 270, Admitted September 6, 2022; and
- 4 6) Knighted's Exhibits 1 to 163, Admitted August 24, 2022.

5 At the conclusion of the hearing, the record was left open for submission of closing briefs
6 and potential extra documentary or testimonial evidence requested by the Commission.

7 In response to a request made by the Commission for additional documentation on
8 October 21, 2022, the Presiding Officer accepted the following additional exhibits into evidence
9 as administrative hearsay on November 14, 2022:

- 10 1) Bureau's Exhibit 95, comprising of the following document which is not included in
11 the Bureau's Table of Contents: (1) Infrastructure and IT/IS Maintenance Statement of
12 Work Presented by ADIM, dated April 4, 2013.
- 13 2) Fortiss' Exhibit 271, comprising of the following documents which are not included in
14 Fortiss' Table of Contents: (1) June 2021 Renewal with YellowFin; (2) June 2022
15 Renewal with YellowFin; (3) Commercial Lease Agreement between Fortiss and
16 Monument Properties-Prospect Park, LLC; (4) First Amendment to the Commercial
17 Lease Agreement between Fortiss and Monument Properties-Prospect Park, LLC; and,
18 (5) Second Amendment to the Commercial Lease agreement between Fortiss and
19 Monument Properties-Prospect Park, LLC.

20 The record was closed and the matter was submitted on November 17, 2022.

21
22 **FINDINGS OF FACT**

23 **I.**
24 **PROCEDURAL HISTORY**

25 1. Knighted is a Third-Party Provider of Proposition Player Services organized in
26 California on July 15, 2011. The current managing members of Knighted are Choi (95% interest)
27 and Lee (5% interest).

28 2. Knighted applied for registration in February 2012. The Commission issued a
registration valid March 29, 2012 through March 31, 2013, which has been consistently renewed.

1 3. On or about March 14, 2013, the Knighted Applicants submitted to the Bureau
2 complete Applications for Third-Party Proposition Player Services Licenses (Knighted
3 Applications).

4 4. Fortiss provides administrative services in the areas of management, recruiting,
5 hiring, training, information technology, industry certification, career development, human
6 resources, accounting, assistance with state and local licensing compliance, and legal services
7 including contract, regulatory guidance, and litigation management.

8 5. The current members of Fortiss are the Trust (99.5% interest) and Vasey (.5%
9 interest). Vasey is the Chief Financial Officer (CFO) of Fortiss. Park is the trustee, settlor, and
10 sole beneficiary of the Trust and is the Manager and Chief Executive Officer (CEO) of Fortiss.
11 Emily Park, Park’s wife, is the successor trustee of the Trust.

12 6. On October 20, 2016, the Commission ordered that the Fortiss Applicants apply
13 for and maintain a State Gambling License based on Fortiss’ ability to exercise significant
14 influence over the gambling operations of Parkwest Cordova, a cardroom owned by Park and
15 where Knighted provides third-party proposition player services (TPPPS).

16 7. On December 15, 2016² and August 9, 2017³, the Fortiss Applicants submitted
17 applications for licensure with each of the Park Cardrooms to the Bureau.

18 8. On or about September 16, 2019, the Bureau issued its Initial Background
19 Investigation Report for the Fortiss Applicants in which it recommended that the Commission
20 approve the Fortiss Applications with the following condition:

21 Within 30 days of the Commission’s approval, Fortiss, LLC shall
22 terminate its Administrative Services Agreement with Knighted Ventures,
23 LLC or Parkwest Casino Cordova, Parkwest Casino Sonoma, Parkwest
24 Casino Lotus, Parkwest Casino 580, and Parkwest Casino Lodi must
terminate their contracts with Knighted Ventures, LLC.

25 9. Throughout the course of the Bureau’s background investigation, multiple requests

26 ² On December 15, 2016, the Bureau received the Fortiss Applications pertaining to the Fortiss
27 Applicants’ affiliation with Parkwest Casino Cordova.

28 ³ On August 9, 2017, the Bureau received Fortiss Applications pertaining to the Fortiss
Applicant’s affiliation with Parkwest Casino Sonoma, Parkwest Casino Lotus, Parkwest Casino Lodi,
Parkwest Casino 580, and The River Cardroom.

1 for additional information were sent to the Knighted Applicants. The Bureau also completed
2 unannounced site visits for several locations where Knighted provides TPPPS to ensure overall
3 compliance with gambling laws.

4 10. On December 20, 2019, the Bureau submitted Initial Background Investigation
5 Reports to the Commission concerning the Knighted Applicants (Knighted Report)
6 recommending approval of the applications without conditions. However, the Knighted Report
7 contained a section titled, "Other Issues/Areas of Concern" which provided:

8 Fortiss, which is owned by Mr. Park, and has significant influence over Mr. Park's
9 gambling operations; is also providing consulting services to Knighted, which
10 provides third-party provider of proposition player services in five of Mr. Park's
11 gambling establishments. Additionally, as detailed in Knighted's Initial
12 Background Investigation Report section titled "Financial Review" subsection
13 "Bank Accounts" on page 7, Mr. Chan, treasurer for Fortiss, has signature
14 authority on all of Knighted's bank accounts. The Bureau recommended a
15 condition to the Commission in Fortiss' Initial Background Investigation Report
16 that states Fortiss shall terminate its Administrative Services Agreement with
17 Knighted or Parkwest Casino Cordova, Parkwest Casino Sonoma, Parkwest
18 Casino Lotus, Parkwest Casino 580, and Parkwest Casino Lodi must terminate
19 their contracts with Knighted. The Fortiss report is pending with the Commission.

20 11. On February 27, 2020, the Commission referred consideration of the Fortiss
21 Applications to an evidentiary hearing to be conducted as a Gambling Control Act hearing. The
22 Fortiss Applicants each submitted timely Notice of Defense forms requesting an evidentiary
23 hearing on the consideration of the Fortiss Applications and identifying Barry Lee and Randall
24 Keen of Manatt, Phelps & Phillips as their counsel.

25 12. On June 11, 2020, the Commission voted to refer consideration of the Knighted
26 Applications to an evidentiary hearing. The Knighted Applicants each submitted Notice of
27 Defense forms requesting an evidentiary hearing on the consideration of the Knighted
28 Applications and identifying Mark Holscher and Tammy Tsoumas of Kirkland & Ellis LLP, as
their counsel.

13. A prehearing conference was held on November 16, 2020 pursuant to a request
made by the Commission's Executive Director to consolidate the respective hearings on the
Knighted Applications and Fortiss Applications. The Knighted Applicants, Fortiss Applicants,

1 and the Bureau presented their positions on the request to consolidate.

2 14. On December 9, 2020, the Presiding Officer issued an order consolidating the
3 evidentiary hearings on the Knighted Applications and Fortiss Applications to promote judicial
4 efficiency and economy and to avoid imposing unnecessary burdens on the Presiding Officer and
5 the Commission.

6 15. On or about January 15, 2021, Commission staff sent to counsel for Knighted,
7 Fortiss, and the Bureau a Notice of hearing identifying that the consolidated hearing would occur
8 on June 28, 29, and July 1, 2, 7, 9, 12, 13, 14, 2021.⁴

9 16. On or about May 12, 2021, the Commission sent to counsel for Knighted, Fortiss,
10 and the Bureau, a Notice of Continued Hearing providing that the consolidated hearing would
11 occur on October 12, 14, 18, 19, 28, 29, and November 2, 3, 5, 9, 2021.⁵

12 17. On or about August 27, 2021, the Commission received the Bureau's Statement of
13 Particulars, wherein it identified factors in aggravation and mitigation for the Commission to
14 consider as part of its consideration of the Knighted Applications. The Bureau's Statement of
15 Particulars for the Knighted Applicants, alleges that the relationship between Knighted and
16 Fortiss is a collusive arrangement that is prohibited under Commission regulation, 4 CCR section
17 12272, subdivision (a)(1)(D), and could be grounds for denial of the Knighted Applications.

18 18. On or about October 22, 2021, Commission staff sent to counsel for Knighted,
19 Fortiss, and the Bureau, a Notice of Continued Hearing providing that the consolidated hearing
20 would occur on August 24, 25, 26, 29, 30, 31, and September 1, 2, 6, and 7, 2022.

21 II.

22 THE THREE-PARTY RELATIONSHIP

23 19. Relevant to this matter is Park's interest in five cardrooms that contract with
24 Knighted for TPPPS and with Fortiss for administrative services: Parkwest Casino Sonoma⁶ (PW
25 Sonoma), Parkwest Casino Lotus (PW Lotus), Parkwest Casino Cordova (PW Cordova),
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27 ⁴ The hearing was continued at the request of the parties.

⁵ The hearing was continued at the request of a party.

28 ⁶ PW Sonoma was previously known as the Casino 101. However, for the sake of clarity, it will be referred to as the PW Sonoma throughout this decision.

1 Parkwest Casino 580 (PW 580), and Parkwest Casino Lodi (PW Lodi). These cardrooms are
2 collectively referred to herein as the “Park Cardrooms.”

3 20. Park, through the Trust and Park West Casinos Inc. (PWCI) has an ownership
4 interest in the Park Cardrooms. PWCI holds an ownership interest in each of the Park Cardrooms,
5 with the exception of PW Lodi.⁷ The Trust is the sole shareholder of PWCI. Park is the CEO,
6 Secretary, CFO, and Director of PWCI and Vasey is a Director.

7 21. PWCI and each of the Park Cardrooms have entered into separate service
8 agreements with Fortiss. Fortiss also provides services to Knighted pursuant to an administrative
9 services agreement. The arrangement wherein Fortiss contracts to provide administrative services
10 to both Knighted and the Park Cardrooms, while Knighted also contracts with the Park
11 Cardrooms for the provision of TPPPS, is referred to herein as the “Three-Party Relationship.”

12 **A. KNIGHTED CONTRACTS WITH THE PARK CARDROOMS TO**
13 **PROVIDE TPPPS**

14 22. Choi testified that Knighted currently services between 200 and 250 tables in
15 California, half of which are at Park Cardrooms.

16 *i. PW Sonoma contract with Knighted*

17 23. PW Sonoma is owned by Cal-Pac Sonoma, LLC, of which Park is the Manager
18 and Vasey is a Director. PWCI is the sole member of Cal-Pac Sonoma, LLC.

19 24. Knighted first received Bureau approval to provide TPPPS to PW Sonoma for the
20 period August 31, 2012 through July 31, 2014.

21 25. Knighted also received Bureau approval to provide TPPPS to PW Sonoma for the
22 period August 1, 2014 to July 31, 2016. This contract disclosed that on or about February 8, 2012,
23 Knighted engaged Fortiss to perform administrative services.

24 26. Every two years thereafter, the Bureau approved new TPPPS contracts between
25 Knighted and PW Sonoma that included the disclosure that Knighted engaged Fortiss to perform
26 administrative services.

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28 ⁷ The Trust is one of three shareholders of PW Lodi.

1 *ii. PW Lotus contract with Knighted*

2 27. PW Lotus is owned by The Silver F, Inc., of which Park is the Manager and Vasey
3 is a Director. PWCI is the sole shareholder of The Silver F, Inc.

4 28. Knighted first received Bureau approval to provide TPPPS to PW Lotus for the
5 period August 18, 2012 through July 31, 2014.

6 29. Knighted next received Bureau approval to provide TPPPS to PW Lotus for the
7 period August 1, 2014 to July 31, 2016. This new contract disclosed that on or about February 8,
8 2012, Knighted engaged Fortiss to perform administrative services.

9 30. Every two years thereafter, the Bureau approved new TPPPS contracts between
10 Knighted and PW Lotus that included the disclosure that Knighted engaged Fortiss to perform
11 administrative services.

12 *iii. PW Cordova contract with Knighted*

13 31. PW Cordova is owned by Cal-Pac Rancho Cordova, LLC, of which Park is a
14 Manager and Vasey is a Director. PWCI is the sole member of Cal-Pac Rancho Cordova, LLC.

15 32. Knighted first received Bureau approval to provide TPPPS to PW Cordova for the
16 period July 17, 2013, through June 30, 2015.

17 33. A first amendment to the TPPPS contract between Knighted and PW Cordova was
18 made effective on January 31, 2014, to add a provision that disclosed that on or about February 8,
19 2012, Knighted engaged Fortiss to perform administrative services.

20 34. Every two years thereafter, the Bureau approved new TPPPS contracts between
21 Knighted and PW Cordova that included the disclosure that Knighted engaged Fortiss to perform
22 administrative services.

23 *iv. PW 580 contract with Knighted*

24 35. PW 580 is owned by Casino 580, LLC, of which Park is a Manager and Vasey is a
25 Director. PWCI and April Gomez are the members of Casino 580, LLC.

26 36. Knighted first received Bureau approval to provide TPPPS to PW 580 for the
27 period April 10, 2012 to March 31, 2014.

28 37. Knighted next received Bureau approval to provide TPPPS to PW 580 for the

1 period April 1, 2014 to March 31, 2016. This new contract also disclosed that on or about
2 February 8, 2012, Knighted engaged Fortiss to perform administrative services.

3 38. Every two years thereafter, the Bureau approved new TPPPS contracts between
4 Knighted and PW 580 that included the disclosure that Knighted engaged Fortiss to perform
5 administrative services.

6 v. *PW Lodi contract with Knighted*

7 39. PW Lodi is owned by the Lodi Cardroom, Inc., of which Park is the Vice
8 President, Secretary and Director, and Vasey is also a Director. The Trust, Chris Ray, and Steven
9 Snider are shareholders of the Lodi Cardroom, Inc.

10 40. Knighted first received Bureau approval to provide TPPPS to PW Lodi for the
11 period January 20, 2014 to December 31, 2015. This new contract disclosed that on or about
12 February 8, 2012, Knighted engaged Fortiss to perform those administrative services identified in
13 an exhibit to the contract.

14 41. Every two years thereafter, the Bureau approved new TPPPS contracts between
15 Knighted and PW Lodi that included the disclosure that Knighted engaged Fortiss to perform
16 administrative services.

17 **B. KNIGHTED CONTRACTS WITH FORTISS FOR ADMINISTRATIVE**
18 **SERVICES**

19 42. Fortiss has been party to multiple contracts with Knighted. Each of the contracts
20 were signed by Choi, as the Managing Member of Knighted, and Vasey, as the CFO of Fortiss.
21 Additionally, each contract allowed for either party to terminate the agreement by giving the other
22 party at least thirty (30) days' prior written notice.

23 43. The first contract between Fortiss and Knighted became effective on February 8,
24 2012 (First Contract). The contract, paragraph 1(a) provided that Fortiss shall render the services
25 listed on Exhibit A:

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- Accounting Services
 - Review of all accounting work prepared by in-house staff
 - Process bi-weekly payroll utilizing ADP payroll services
 - Preparation of monthly financial statements
 - Co-ordinate and assistance with year-end audit by independent CPA firm
 - Assistance with annual tax returns prepared by independent CPA firm
 - Assist and maintain Company insurance

- Human Resources, Personnel Management, and Employment Relations Services
 - Provide general HR consulting services
 - Hiring and recruiting services
 - Provide new hire background Investigation, credit analysis, and drug testing
 - Provide training for new hires and retraining for existing employees
 - Maintain all employee benefit plans: i.e. medical, dental, vision, 401(k)
 - Process post-employment benefits
 - Process worker's compensation claims and unemployment claims

- IT Services
 - Support network infrastructure
 - Help desk support
 - E-Mail support
 - Various software systems support
 - Hardware support
 - Playing book ticket system support

- Assist with State and Local licensing and compliance
 - Assist with entity, owner, and employee state licensing and badging
 - Assist with local business licenses

- Assist with new contracts, amendments, and renewal

44. Additionally, paragraph 1(a) of the First Contract provided that “such fees shall not be changed for a period of one (1) year, commencing on the date hereof and are intended to allow Fortiss only to recover its costs and expenses without realizing any profit.”

45. Paragraph 1(b) of the First Contract provided that Fortiss may provide “unusual additional services not specifically addressed in Exhibit A. For such unusual or additional services, if requested, Fortiss will be compensated in amounts determined based upon hours of service rendered, if applicable, or in amounts otherwise agreed to by the parties and subject to the terms of this Agreement.”

46. The First Contract provided that Knighted would pay \$0 for the first four months, which would thereafter increase beginning June 1, 2012 to a fixed monthly fee of \$20,000.

47. A first amendment to the First Contract (Second Contract) was effective August 1, 2012 and increased the monthly fee to \$60,000 with all other terms remaining the same.

1 48. A new agreement was entered into effective March 1, 2014 (Third Contract). The
2 monthly fee remained the same, but two categories of services from Exhibit A under the category
3 of Human Resources were removed: hiring and recruiting services and provide training for new
4 hires and retraining for existing employees.

5 49. A first amendment to the Third Contract dated March 1, 2014, was effective on
6 July 1, 2014, increasing the monthly fee to \$100,000 with no change in services or terms (Fourth
7 Contract).

8 50. A second amendment to the Third Contract became effective on March 1, 2015,
9 and increased the monthly compensation to \$120,000 with no change in services or terms (Fifth
10 Contract).

11 51. A new agreement was effective on October 1, 2018, making changes to the fee and
12 services offered by Fortiss (Sixth Contract). The monthly fee in the Sixth Contract increased to
13 \$166,667.

14 52. Additionally, the provision in prior contracts allowing for the provision of unusual
15 or additional services was not included in the Sixth Contract. However, a new line item was
16 added to Exhibit A to the Sixth Contract, allowing for the provision of “[a]dditional
17 miscellaneous services as may be specifically requested by Client to Contractor in writing from
18 time to time.” Miscellaneous services was not defined or limited in scope in the contract.

19 53. Additionally, the Sixth Contract added the following categories of services to the
20 contract: Accounting: Provide recommendations to management concerning periodic accounting
21 decisions; and Human Resources: Provide guidance for California employment laws and
22 regulations compliance.

23 54. The Sixth Contract also removed certain HR categories of services from the
24 contract: hiring and recruiting services; provide new hire background investigation, credit
25 analysis, and drug testing; provide training for new hires and retraining for existing employees
26 and; maintain all employee benefit plans: i.e. medical, dental, vision, 401(k).

27 55. Vasey testified that as part of the contract negotiations with Knighted, Fortiss
28 performs a confidential internal calculation to determine its fee which it charges Knighted. The

1 fee is determined by asking Fortiss employees to estimate how much time they spend working for
2 each company Fortiss services. Those percentages are used to allocate the salaries to each
3 company Fortiss services on a pro-rata basis. Fortiss calculates its overhead based on its salary
4 allocation, then 17% is added to that figure for a profit margin before billing Knighted. The last
5 fee calculation was done in 2018.

6 56. Choi testified that he has never seen a breakdown of how Fortiss calculates the
7 monthly service fee paid by Knighted, but he believes the amount is reasonable based on the
8 services provided.

9 57. On June 10, 2020, Knighted issued a “Fortiss, LLC Vendor Policy.” The policy
10 discusses several policies to ensure that Fortiss is not permitted to have a significant influence
11 over Knighted, including segregation of duties, quality control and monitoring, and training.

12 58. Fortiss also has service agreements with other companies owned by Choi: Citadel
13 of Florida, LLC; Elevated, LLC; Knighted Pastures, LLC; Knighted Services; and Oakdale, LLC.

14 **C. THE PARK CARDROOMS ALSO CONTRACT WITH FORTISS FOR**
15 **ADMINISTRATIVE SERVICES**

16 59. PWCI and each of the Park Cardrooms have entered into separate service
17 agreements with Fortiss. Additionally, Fortiss is party to a lease agreement to occupy office space
18 at PW Cordova.

19 *i. Fortiss’ Service Agreement with PWCI*

20 60. On May 1, 2012, Fortiss entered into an agreement with PWCI providing that
21 Fortiss would assist management with periodic decisions and provide services in the areas of
22 accounting, human resources, information technology, and advertising and promotion for a fixed
23 monthly fee.

24 61. On October 1, 2018, Fortiss and PWCI entered into a new agreement providing
25 that Fortiss would also assist PWCI management with periodic decisions and provide services in
26 the areas of accounting, information technology, legal, and “other miscellaneous services as
27 requested” by PWCI for a fixed monthly fee.

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1 ii. *Fortiss' Service Contracts with Park Cardrooms*

2 62. On or about November 1, 2006, Fortiss entered into an agreement with PW
3 Sonoma to provide services in the areas of management, accounting, human resources, and
4 information technology consulting services for a fixed monthly fee.

5 63. On or about January 1, 2007, Fortiss entered into an agreement with The River to
6 provide accounting services for a fixed monthly fee.

7 64. On or about June 1, 2008, Fortiss entered into an agreement with PW Lodi to
8 provide services in the areas of management, accounting, human resources, and information
9 technology for a fixed monthly fee.

10 65. On or about December 21, 2009, Fortiss entered into an agreement with PW Lotus
11 to provide services in the areas of management, accounting, human resources, and information
12 technology for a fixed monthly fee.

13 66. On or about February 1, 2010, Fortiss entered into an agreement with PW Cordova
14 to provide services in the areas of management, accounting, human resources, and information
15 technology for a fixed monthly fee.

16 67. On or about September 1, 2010, Fortiss entered into an agreement with PW 580 to
17 provide services in the areas of management, accounting, human resources, and information
18 technology for a fixed monthly fee.

19 68. On October 1, 2018, Fortiss entered into new agreements with PW Cordova, PW
20 Sonoma, PW Lotus, PW Lodi, and PW 580 for Fortiss to provide more extensive services. The
21 agreements for each Park Cardroom were substantially similar, and using the PW Lotus contract
22 as an example, allowed for provisions of the following services by Fortiss:

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- 1 • Business Services
 - 2 ○ Assist management with periodic decisions
 - 3 ○ Assist management with any capital improvement projects
- 4 • Accounting Services
 - 5 ○ Review of all accounting work prepared by in-house staff
 - 6 ○ Process bi-weekly payroll utilizing KRONOS and ADP payroll services
 - 7 ○ Preparation of monthly financial statements
 - 8 ○ Co-ordinate and assistance with year-end audit by independent CPA firm
 - 9 ○ Assistance with annual tax returns prepared by independent CPA firm
 - 10 ○ Assist management with periodic financial decisions
 - 11 ○ Assist and maintain Client insurance
- 12 • Human Resources, Personnel Management, and Employment Relations Services
 - 13 ○ Provide general HR consulting services
 - 14 ○ Provide new hire background investigation, credit analysis, and drug testing
 - 15 ○ Assist with post-employment benefits
 - 16 ○ Assist with worker's compensation claims and unemployment claims
- 17 • IT Services
 - 18 ○ Support network infrastructure
 - 19 ○ Help desk support
 - 20 ○ E-Mail support
 - 21 ○ Various hardware and software systems support
 - 22 ○ Support Electronic Playing Book ticket system
 - 23 ○ Support Player Tracking System
- 24 • Advertising and Promotion Services
 - 25 ○ Web and Graphic Design
 - 26 ○ Print, Radio, TV, and other Multimedia Advertisements
- 27 • Legal
 - 28 ○ Assist in preparing documents related to new contracts, amendments and renewal agreements
 - Provide guidance with entity, owner, and employee state and local licensing laws
 - Litigation support
- Additional miscellaneous services as may be specifically requested by Client to Consultant in writing from time to time.

69. In total, Fortiss provides services to 23 of Park's owned entities, including PWCI and the Park Cardrooms. Fortiss is also a percentage owner in three companies owned by Park which are not germane to this decision.⁸

iii. Fortiss' Lease Agreement at PW Cordova

70. Fortiss is also a party to a lease agreement for office space at PW Cordova. The

⁸ Fortiss has a membership interest in Raspberry Consulting, LLC (99%), Ride Bus, LLC (1%), and Monument Properties Rincon, LLC (1%).

1 rented space is used to house Fortiss' Human Resources Department, which consists of six
2 individuals, including the Fortiss HR Director, Lisa Grewohl.

3 71. Fortiss HR staff enter PW Cordova through the employee entrance in the back of
4 the cardroom. Fortiss HR offices are located in the "back of the house," which is an area that is
5 not accessible to the public. Fortiss HR and PW Cordova staff can access other "back of the
6 house" areas, such as the employee training room, dining area, lockers, and restrooms. Only
7 Fortiss' HR staff and PW Cordova managers have access to the Fortiss HR office when the entry
8 door is closed by using their key cards.

9 72. Non-management staff of PW Cordova do not have key card access to open the
10 Fortiss HR office. However, when Fortiss HR staff are in the office, they have an "open door"
11 policy for PW Cordova staff to meet at any time they have an HR issue. The doors to Fortiss'
12 offices at PW Cordova have no signage to indicate that the office does not house staff of the PW
13 Cordova. Further, the Fortiss employees do not wear uniforms or nametags.

14 **D. SERVICES PROVIDED BY FORTISS TO KNIGHTED AND PARK**
15 **CARDROOMS**

16 Fortiss provides varying services to Knighted and the Park Cardrooms, which was
17 discussed in detail during the hearing in the testimony of Vasey, Choi, and Lee.

18 *i. Services Provided to Knighted*

19 73. Vasey testified that Fortiss provides less overall services to Knighted than to the
20 Park owned entities it contracts with. Choi testified that over time, Knighted has brought more of
21 the work in-house that was previously done by Fortiss, such as IT, HR and training.

22 74. Vasey testified that Fortiss provides accounting services to Knighted, collects
23 financial information, and produces financial statements. Fortiss also makes recommendations to
24 management on accounting decisions, such as how things should be depreciated, tax issues, and
25 accounting for contracts. However, Choi testified that Knighted has its own accounting
26 department with approximately six staff and a manager who ensure that proper accounts payable
27 receipts and other documents are sent to Fortiss to process the payments. Choi testified that
28 Fortiss assists with annual financial audits by providing auditors with access to Knighted's

1 financial records in Fortiss' possession. Lee testified that for accounts payable, Fortiss compiles
2 Knighted's bills and will scan and send them to Lee for approval. Then Fortiss processes the
3 payments.

4 75. Vasey and Choi testified that the IT services Fortiss provides to Knighted is
5 limited to providing tablets and ensuring the network is working for Knighted's electronic playing
6 book system, Horus. Choi testified that Knighted has two regional managers overseeing IT, with
7 approximately four staff members who are able to handle all of Knighted's other IT needs. Choi
8 also testified that if there are needs unrelated to Horus that Knighted's own staff cannot meet,
9 Knighted will retain an outside company, not Fortiss.

10 76. Choi testified that Knighted has its own HR department headed by a manager with
11 approximately 20 staff who provide a full range of services. Choi testified that there are no HR
12 services Knighted needs that its own HR staff cannot provide. However, Choi also testified that
13 Fortiss handles the payroll processing for Knighted through ADP. Vasey testified that Fortiss also
14 facilitates new hire background checks for Knighted through their contract with ADP. Lisa
15 Grehwohl, Fortiss' HR Manager (Grehwohl), testified that Knighted only reaches out to Fortiss'
16 HR department "once in a blue moon."

17 77. Choi testified that Knighted's Director of Organizational Development oversees
18 and provides leadership, management, and advanced development training. Additionally,
19 Knighted's Head of Training has a large staff and provides all of the games training that Knighted
20 requires. If Knighted requires any additional training, it will contract with an outside agency, not
21 Fortiss.

22 78. Regarding legal services, Vasey, Choi and Lee testified that Knighted uses outside
23 counsel for legal matters, but sometimes will seek advice from Fortiss' attorney on regulatory
24 compliance issues. Vasey, Choi and Lee testified that Fortiss' role in preparation of TPPPS
25 contracts is minimal, such as typing up boilerplate language, spell checks, and grammar reviews.
26 Choi testified that Fortiss' attorney does not provide any assistance in contract negotiations or
27 advise on contract terms.

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1 ii. *Services provided to Park Cardrooms*

2 79. Vasey testified that he reports directly to Park in his role at Fortiss and the Park
3 Cardrooms. Vasey testified that Fortiss developed policies and procedures for each of the Park
4 Cardrooms and departments to follow to ensure there are controls in place to prevent cheating,
5 stealing, and improprieties in the gambling operations.

6 80. Vasey testified that Fortiss provides leadership training to the Park Cardrooms to
7 ensure the General Managers (GM) have the tools and skills to implement these policies.
8 Grehwohl testified that Fortiss offers additional training, such as sexual harassment training,
9 OSHA training, and schedules responsible gaming training for Park Cardroom employees.

10 81. Fortiss performs a wide array of HR services for Park Cardrooms, including
11 recruiting. Fortiss also conducts internal investigations for the Park Cardrooms on behalf of Park,
12 as the owner of the cardroom. Grehwohl is also responsible for a hotline for the Park Cardroom
13 employees to call and report any concerns anonymously.

14 82. PWCI has a compliance committee that meets quarterly and includes Vasey, Park,
15 Grehwohl, and Fortiss' general counsel, Jeffrey Van Wagner (Van Wagner), among others.
16 Contributors to the PWCI compliance committee include Tom Chan (Chan), Treasurer of Fortiss,
17 and Benjamin Walsh, Corporate Counsel for Fortiss. This committee conducts quarterly audits on
18 the Park Cardrooms. Grehwohl testified that if the quarterly audits conducted by the PWCI
19 compliance committee found any deficiencies, she would work with the cardroom GM to resolve
20 the findings.

21 83. Shaun Yaple (Yaple), former GM of PW Lodi and PW Cordova, testified that he
22 would submit all contracts to Fortiss for review, which would then be returned to him with redline
23 edits that he would accept. Vasey testified that Fortiss' attorney reviews all of the contracts
24 entered into by Park Cardrooms.

25 84. Vasey testified that the GMs of Park Cardrooms are in charge of everything inside
26 the facility, including hiring and firing. However, Yaple, testified that when he worked for PW
27 Cordova as the GM between May 2014 and December 2018, he would need permission from
28 Fortiss' legal counsel and HR prior to terminating the employees he managed.

1 85. Yaple also previously worked for Fortiss. Yaple testified that during the time he
2 worked for Fortiss in 2005, until he left the GM position at PW Cordova, he noticed changes in
3 the scope of services Fortiss provided to the Park Cardrooms. As Park purchased more
4 cardrooms, Fortiss would subsume any cardroom staff that left. For instance, Yaple worked at
5 PW Lodi for some time, and the cardroom had its own HR and accounting department when he
6 arrived. However, as those staff moved on, Fortiss took over those roles.

7 **E. CONCERNS RAISED BY BUREAU REGARDING THE**
8 **THREE-PARTY RELATIONSHIP**

9 86. Brian Gilleland, Manager II in the Licensing Section of the Bureau, testified that
10 he has worked for the Bureau for seven years. Gilleland was initially assigned to oversee the
11 investigation of the Knighted Applicants as a Manager I. When the Knighted report was
12 complete, Gilleland was an Acting Manager II and reviewed the final work product that was
13 submitted to the Bureau’s Director for review.

14 87. Monique Anquoe (Anquoe), Field Representative from the Bureau’s Compliance
15 and Enforcement Section, testified at the hearing. Anquoe testified that between April 2017 and
16 May 2022, she worked in the Cardroom Owners Licensing Section of the Bureau’s Licensing
17 Division, first as a Staff Services Analyst, and then as an Associate Governmental Program
18 Analyst. In 2017, Anquoe was assigned to conduct the background investigations on the Fortiss
19 Applications.

20 88. Gilleland and Anquoe both testified that they are not aware of any other situations
21 in the California gaming industry where a cardroom and administrative services company like
22 Fortiss share a common owner, and the services company also contracts to provide services to the
23 cardroom and the cardroom’s provider of TPPPS.

24 89. In the Knighted Report, and at the hearing, the Bureau raised three additional areas
25 of concern stemming from the Three-Party Relationship.

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i. *Fortiss' Power to Exercise Significant Influence Over Park Cardrooms and Knighted*

90. The Commission previously determined that Fortiss had the power to exercise significant influence over PW Cordova and thus directed the Fortiss Applicants to apply for licensure on that basis. An area of concern regarding the Knighted Applications is that if Fortiss also has the power to exercise a significant influence over Knighted, the Three-Party Relationship may allow for violation of Section 19984, subdivision (a), and Knighted would not be compliant with Section 19852, subdivision (i). Fortiss Applicants contend that Fortiss does not exercise significant influence over either Knighted or the Park Cardrooms.

ii. *Signature Authority of Tom Chan*

91. The Bureau's Report on the Knighted Applications raises as an area of concern that Chan, Treasurer for Fortiss, had signature authority on Knighted's bank accounts.

92. In a June 9, 2020 letter to the Commission's Executive Director, Knighted's attorneys represented that on April 29, 2020, Fortiss and Knighted instituted additional controls regarding the release of checks in an attempt to alleviate the Bureau and Commission's concerns regarding Chan's signature authority.

93. In or around September 2021, Knighted and Fortiss revoked Chan's signing authority upon the recommendation of Peter Brown (Brown) of Green Hasson Janks, LLP. Brown is an auditor retained on behalf of Knighted and Fortiss with the scope of engagement being an internal controls review and investigation specifically designed to address concerns raised by the Bureau and Commission.

94. Gilleland testified that because Chan is an employee of Fortiss, and ultimately reports to Park, who also partially owns many of the cardrooms where Knighted provides TPPPS, Chan's signatory authority on Knighted's accounts, while being employed by the owner of the cardrooms Knighted contracts with, appeared to him to be collusive.

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1 iii. *Access to Financial Information for Non-Park Owned Cardrooms*

2 95. Knighted utilizes an electronic playing book system known as the Horus System.⁹

3 The Horus System is an electronic table management system which allows the collection and
4 entry of playing book forms using a wireless device or tablet. Also, this device is utilized to
5 electronically enter playing book tickets into the database. In addition, it is used to open podiums
6 and tables.

7 96. Horus information is stored in a centralized database and application server, which
8 can be utilized by authorized persons to review data for audit and accounting purposes. Vasey
9 testified that the only financial data collected by Horus are Knighted's net wins and losses.

10 97. Knighted is required by regulation to maintain playing books. Knighted has opted
11 to use electronic playing books utilizing the Horus system. On March 15, 2019, Knighted
12 submitted an application for approval to the Bureau to use the Horus electronic playing book
13 system. On August 27, 2019, the Bureau issued an approval for Knighted to begin using Horus
14 effective September 26, 2019.

15 98. Vasey testified that Fortiss conducts Knighted's accounting and has access to
16 almost all of Knighted's financial data. While it was alleged that Park does not have access to the
17 accounting system at Fortiss, he owns the company so he could ask for the information or obtain
18 access outright. Vasey also testified that he looks at financial information for all the companies
19 Fortiss services because he is involved with ensuring proper audits are done.

20 99. Morrow testified that the Bureau is concerned that Knighted shares revenue
21 information with Fortiss because it enhances the danger of unsuitable practices in the gambling
22 operation. Morrow expressed concern that the contract fee Fortiss charges Knighted could be
23 based on Knighted's TPPPS revenue rather than the actual value of the services provided.

24 100. Gilleland, testified that he believes there is an appearance of collusion based on
25 Park's access to information through the Horus system. Gilleland testified that it is concerning for
26 an administrative services company to have working knowledge of, and financial knowledge of,

27 ⁹ A report by Peter Brown of Green Hasson Janks, LLP noted that Horus was developed by and
28 is owned by Holy Grail Gaming, Inc. (Holy Grail). Park is the majority shareholder of Holy Grail. Vasey
 testified that Park developed the Horus software.

1 both the cardroom and the third party that are supposed to be operating independently.

2 101. Gilleland and Anquoe testified that Knighted provides TPPPS to cardrooms not
3 affiliated with Park, leading to a concern that Park, as the owner of Fortiss, can access financial
4 information relating to Knighted’s revenue at competing cardrooms.

5 **ASSESSMENT OF KNIGHTED’S SUITABILITY AND QUALIFICATION FOR**
6 **LICENSURE**

7 **A. FORTISS HAS THE POWER TO EXERCISE SIGNIFICANT**
8 **INFLUENCE OVER THE PARK CARDROOMS, BUT NOT OVER**
9 **KNIGHTED**

10 *i. Fortiss Has the Power to Exercise Significant Influence Over The Park*
11 *Cardrooms*

12 102. The Commission concludes that Fortiss must maintain licensure for each of the
13 Park Cardrooms it contracts with due to its ability to exercise significant influence over the
14 gaming operations.

15 103. Fortiss offers a full scale of services that the Park Cardrooms could not operate
16 without, including HR, accounting, IT, and legal services. Fortiss’ legal services include guidance
17 with state and local licensing laws as well as Commission regulations, which is one of the most
18 important aspects of conducting compliant gaming operations.

19 104. Fortiss has the ability to manage policy and procedures at the Park Cardrooms
20 based on the common ownership, board members, and management team between Fortiss, PWCI,
21 and the Park Cardrooms.

22 105. Fortiss is also able to influence policy processes at the Park Cardrooms through its
23 role as a legal and HR advisor to PWCI and the Park Cardrooms. The May 2021 and October
24 2018 service agreements between Fortiss and PWCI provide that Fortiss “will assist [PWCI]
25 management in periodic decisions.” The October 2018 agreement further added that Fortiss will
26 assist management with periodic decisions in the specific areas of business services and financial
27 decisions.

28 106. Fortiss developed policies and procedures for each of the Park Cardrooms and
departments to follow. Fortiss also trains the Park Cardroom staff to follow those policies and

1 procedures. Fortiss management contributes and serves on the compliance committees for PWCI,
2 including Vasey, Park, Grewohl, and Van Wagner. The PWCI committee audits the Park
3 Cardrooms and works to achieve necessary corrective action.

4 107. In addition to the overlapping management and ownership of Fortiss and PWCI,
5 Fortiss also has a physical presence at the PW Cordova through its HR Department. Fortiss' HR
6 Department located at PW Cordova is accessible to PW Cordova managers with access key cards
7 and there is an open door policy for PW Cordova employees to seek advice. Additionally, Fortiss
8 HR staff use the employee entrance and can access "back of the house" areas used by PW
9 Cordova employees. Fortiss HR staff do not wear uniforms or name tags to indicate that they are
10 not cardroom employees. These facts may lead to a perception that Fortiss' HR staff and PW
11 Cordova staff have the same employer.

12 108. Fortiss HR recruits and selects candidates for the Park Cardrooms to interview
13 when requested. Fortiss conducts investigations and receives hotline calls. While the evidence
14 varied as to how much weight Fortiss exerts over the HR functions of the Park Cardrooms, the
15 testimony of Yapple was particularly persuasive, as he is the only witness who does not rely on
16 Park for a paycheck. Yapple testified that when he was the GM of PW Cordova, he could not
17 terminate employees without approval of Fortiss HR and legal.

18 109. However, Fortiss' ability to exercise significant influence over the Park Cardrooms
19 does not negatively impact Knighted's qualifications or suitability for licensure, because Fortiss
20 does not have the same ability to exercise a significant influence over Knighted.

21 *ii. Fortiss Does Not Have the Power to Exercise Significant Influence*
22 *Over Knighted*

23 110. Knighted contracts for several services from Fortiss that it does not currently
24 utilize. Knighted has brought most of its administrative work in-house, including IT, HR,
25 accounting, and training. Knighted is able to meet all of its training needs in-house, and most of
26 its IT, HR, and accounting needs.

27 111. The services actually provided by Fortiss are administrative in nature and do not
28 indicate an ability to exercise significant influence over the operations. For instance, Fortiss

1 processes payroll, but it does not determine the wages set or the hours worked by Knighted's
2 employees. Likewise, Fortiss processes new hire background checks for Knighted, but has no
3 other involvement in the hiring or recruitment process.

4 112. There is no indication that Fortiss directs or influences policies at Knighted.
5 Knighted contracts with outside counsel for most legal services. Knighted does not share common
6 ownership with Fortiss. While Knighted occasionally contacts Fortiss' legal department, it mostly
7 uses outside counsel. Fortiss does not develop policies or conduct training for Knighted.

8 113. Based on the foregoing, the Commission has no suitability concerns relating to the
9 Knighted Applicants in relation to Section 19852, subdivision (i) or Section 19984, subdivision
10 (a) in relation to Fortiss' level of influence over Knighted

11 **B. THE COMMISSION IS SATISFIED THAT THE KNIGHTED**
12 **APPLICANTS POSSESS THE REQUISITE CHARACTER, HONESTY,**
13 **AND INTEGRITY FOR LICENSURE**

14 114. The Knighted Applicants have been thoroughly investigated in relation to their
15 registrations. The Knighted Applicants were transparent and cooperative with the Bureau
16 throughout the background investigation process.

17 115. Choi testified that Knighted's focus on employee development, training, and
18 recruiting is multiple times more rigorous than other companies. Knighted heavily invests in
19 leadership development and training for employees. Knighted's training also focuses on accuracy
20 and preserving the integrity of the game.

21 116. Choi testified that he and Lee firmly believe in giving back to the community.
22 Approximately five years ago, Lee started Knighted Neighbors, a way for employees to select
23 important causes to raise awareness about. As part of Knighted Neighbors, Knighted staff will
24 engage outside of work by volunteering or fundraising for causes important to Knighted's
25 employees. Choi testified that Knighted has dozens of nonprofit partners. The first week of new
26 hire orientation, Knighted has a day dedicated to volunteer service where new hires are paid to
27 volunteer with one of Knighted's nonprofit partners.

28 117. Choi testified that in 2017, he started Children in Harmony, a nonprofit that
focuses on social and emotional intelligence through music and education. Children in Harmony

1 promotes empowerment for young girls and empathy in young boys through partnerships with
2 nonprofits around the world.

3 118. Lee testified that philanthropy is a big part of his work for Knighted. Lee is most
4 proud of Knighted's recent work with Covenant House, a nonprofit that helps young people
5 between the ages of 18 to 24, who are unhoused. Knighted has worked very closely with the
6 Covenant House, including supplying the organization with computers and improved Wi-Fi, and
7 having the Knighted development team create a preparatory program to assist Covenant House
8 clients prepare to enter the job market. Knighted's focus on community service and training is
9 particularly impressive and commendable.

10 119. Choi testified that Knighted has a reputation for being the best in the industry
11 because they are very focused on servicing the client, including establishing a good relationship
12 with cardroom management, and ensuring that adjustments are made to accommodate any
13 concerns about Knighted's customer service.

14 120. Further, the Knighted Applicants have been forthcoming about the existence of the
15 Three-Party Relationship since 2012. Knighted amended their TPPPS contracts with Park
16 Cardrooms to disclose the fact that Fortiss also provides services to Knighted. Further, the
17 existence of the Three-Party Relationship was ascertainable to the Bureau through the
18 applications filed by Knighted and through the process to approve Knighted to use the Horus
19 system.

20 121. Regarding Chan's signatory authority, Knighted allowed a change in policy
21 regarding the signature process for Knighted checks in an attempt to alleviate Bureau and
22 Commission concerns. Ultimately, Chan's signature authority was revoked in response to an
23 auditor's recommendation in September 2021.

24 122. The Commission shares the Bureau's concerns regarding Park's access to
25 Knighted's financial information. However, the Commission finds that there is no evidence that
26 any of the Knighted Applicants have done anything illegal or improper in relation to their
27 relationship with Fortiss. Additionally, there was no evidence offered that a collusive relationship
28

1 currently exists between Knighted and Fortiss. Based on the foregoing, the Commission is
2 satisfied that the Knighted Applicants are persons of good character, honesty, and integrity.

3 **C. THE COMMISSION IS NOT SATISFIED THAT THE KNIGHTED**
4 **APPLICANTS ARE OTHERWISE QUALIFIED FOR LICENSURE DUE**
5 **TO THE EXISTENCE OF THE THREE-PARTY RELATIONSHIP.**
6 **HOWEVER, THESE CONCERNS CAN BE ALLEVIATED BY THE**
7 **ISSUANCE OF A CONDITION**

8 123. The Commission is concerned with the Knighted Applicants' qualifications under
9 Sections¹⁰ 19856 and 19857 based on the Three-Party Relationship and in light of the prior
10 finding that Fortiss has the ability to exercise significant influence over each of the Park
11 Cardrooms. These concerns can be broken into three areas: (1) the perception of a collusive
12 arrangement; (2) the potential for violation of Section 19984; and (3) the potential for violation of
13 TPPPS contract provisions.

14 *i. The Three-Party Relationship Creates the Perception of a Collusive*
15 *Arrangement Between Knighted and Fortiss*

16 124. The perception of a collusive arrangement between Knighted and Fortiss is
17 grounds for denial of a license, or imposition of a condition on a license, under Sections 19856,
18 subdivision (c), and 19857, subdivision (b).

19 125. Section 19856, subdivision (c), provides that the Commission shall consider
20 whether issuance of a license is inimical to public health, safety, or welfare, and whether issuance
21 of the license will undermine public trust that the gambling operations with respect to which the
22 license would be issued are free from criminal and dishonest elements and would be conducted
23 honestly.

24 126. Section 19857, subdivision (b), prohibits licensure when the Commission is not
25 satisfied that the applicant is a person whose associations do not pose a threat to the public
26 interest of this state, or to the effective regulation and control of controlled gambling, or create or
27 enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the
28 conduct of controlled gambling or in the carrying on of the business and financial arrangements

¹⁰ All references to statute refer to the Business and Professions Code unless otherwise stated.

1 incidental thereto.

2 127. The perception that there may be a collusive arrangement between Fortiss and the
3 TPPPS that services the Park Cardrooms, which Fortiss has the ability to exercise significant
4 influence over, will undermine public trust that gambling operations are free from criminal and
5 dishonest elements. It also poses a threat to the effective regulation of controlled gambling, and
6 enhances the dangers of unsuitable and unfair activities.

7 128. The Commission’s TPPPS contract regulations were designed to ensure that there
8 is a clear separation between the House¹¹ and the third-party provider, with all financial
9 arrangements between the two outlined within the TPPPS contract which is reviewed and
10 approved by the Bureau, in advance of performing TPPPS.

11 129. CCR section 12272 requires that a TPPPS contract be disapproved if it undermines
12 public trust that the controlled gambling operations covered by the contract will be conducted
13 honestly, by reason of the existence or perception of any collusive arrangement between any party
14 to the contract and the cardroom owner type licensee or TPPPS business endorsee licensee or
15 otherwise.

16 130. While there is not a definition of “collusion” or “collusive arrangement” in the
17 Gambling Control Act or regulations, the Commission does not limit “collusion” to only secretive
18 agreements, as suggested by the Knighted Applicants during the hearing. While a secret
19 agreement may be more likely to be collusive, the above Sections and regulation indicate that the
20 type of relationship which exhibits a collusive arrangement and prohibits approval of a TPPPS
21 contract is one that offers an unfair advantage to one or more of the contracting parties, damages
22 public trust, and enhances the likelihood of unsuitable or illegal practices in the conduct of
23 controlled gambling or in the carrying on of the business and financial arrangements of controlled
24 gambling.

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28 ¹¹ “House” is defined in Section 19805, subdivision (j) as “the gambling enterprise, and any owner, shareholder, partner, key employee, or landlord thereof.”

1 131. Knighted has a strong financial interest in maintaining its TPPPS contracts with
2 the Park Cardrooms. Fortiss shares ownership and management with, and has the ability to
3 exercise a significant influence, over the Park Cardrooms.

4 132. There is a perception that Knighted contracts with Fortiss for a number of services
5 that it does not actually need. For instance, Knighted contracts with Fortiss for HR, accounting,
6 and IT services, despite having its own specialized departments that provide those same services
7 Based on the testimony of Choi and Lee, the services relating to contracts that Fortiss offers are
8 limited to spelling and grammar checks.

9 133. Additionally, when Fortiss and Knighted entered into the Third Contract in
10 August 2012, the price significantly increased even though two major categories of HR services
11 were removed from the contract: hiring and recruiting, and providing training for new hires and
12 retraining for existing employees. Similarly, despite the testimony that Fortiss provides minimal
13 legal services to Knighted, the contract fee increased significantly when legal services were added
14 to the Sixth Contract.

15 134. An additional perception is that Knighted may pay a disproportionate amount for
16 services based on a lack of accounting done to allow Knighted to quantify the time spent on the
17 services provided or the value of those services. Fortiss does not document the work performed to
18 Knighted or undergo a regular evaluation as to whether its services/costs align with the contract
19 price paid by Knighted. Fortiss will evaluate the contract fee using employee time estimates for
20 type of work performed per entity. The Second Contract, Fourth Contract, and Fifth Contract all
21 increased the contract fee despite there being no change in the terms or services offered.
22 Additionally, the Second Contract raised the contract fee after eight months, despite a provision
23 in the First Contract stating the price would not be raised for one year. While the Knighted and
24 Fortiss Applicants had a reasonable explanation for these increases due to an increase in
25 Knighted's business and number of employees, the perception remains that it is possible for
26 Fortiss to arbitrarily set and raise the contract price.

27 135. Additionally, Knighted relies on Fortiss for use of its electronic playing book
28 system and for related technical support. Half of the tables Knighted services are at Park

1 Cardrooms. Despite Knighted's reliance on its relationship with Fortiss to use the Horus system,
2 the service agreement can be cancelled at any time by Fortiss with only 30 days' notice. There is
3 no provision in the contract for Knighted to continue to use Horus outside of the administrative
4 services contract and sudden cancelation of the contract could be detrimental to Knighted from a
5 financial perspective. These factors lead to a clear perception that Knighted may be compelled to
6 agree to and not question any contract fee Fortiss proposes.

7 136. Additionally, when Knighted uses Fortiss' legal services, they are receiving advice
8 from an in-house attorney employed by Fortiss. Fortiss' ability to influence and advise as to
9 regulatory issues for both Knighted and Park Cardrooms, gives potential for advice to be given
10 and decisions to be made to benefit Park to the detriment of Knighted.

11 137. Finally, Fortiss can fully access Knighted's financial records, which gives Park
12 and Vasey access to financial information concerning Knighted's profits at other cardrooms that
13 Knighted contracts with that are competitors of Parks. These factors all lead the Commission to
14 conclude that a perception of collusion arises from the Three-Party Relationship and is a basis for
15 denial of a license, or imposition of a condition on a license, under Sections 19856, subdivision
16 (c), and 19857, subdivision (b).

17 ii. *The Three-Party Relationship Allows For Circumvention of Section*
18 *19984*

19 138. Section 19984, subdivision (a) prohibits the House from having an interest in
20 funds wagered, lost or won. At the heart of this provision and the Commission's TPPPS contract
21 regulations, is a need for the Third-Party Provider to be owned and operated separately from the
22 House. The Three-Party Relationship creates the potential for circumvention of Section 19984,
23 subdivision (a) by Park Cardrooms through Fortiss' contract with Knighted, and is therefore
24 grounds for denial or conditioning of a license under Sections 19856, subdivision (c), and 19857,
25 subdivision (b).

26 139. The close relationship between Fortiss and Park Cardrooms (the House), with their
27 common ownership, management, and policy influences, may undermine the public trust by
28

1 creating a perception that Fortiss is part of, or an extension of, the House, which would make
2 Fortiss' contract with Knighted a violation of Section 19984, subdivision (a).

3 140. Additionally, the Three-Party Relationship makes it feasible for Knighted to pay
4 Park Cardrooms (the House), through payments to Fortiss, for services that are not performed, to
5 overpay for services performed, or to pay for services that it does not actually need simply to
6 keep its access to Park Cardrooms. Park and Vasey's access to Knighted's financial information
7 also creates the potential for increases in the Fortiss and Knighted contract to be based on a
8 comparison of Knighted's revenue versus the TPPPS contract fee agreed to and approved by the
9 Bureau. While there are no findings that the parties are currently in violation of Section 19984,
10 the situation is ripe for a violation to occur.

11
12 *iii. The Three-Party Relationship Enhances the Dangers of Unsuitable,
Unfair, or Illegal Practices*

13 141. Issuance of the licenses without conditions would enhance the dangers of
14 unsuitable, unfair, or illegal practices, or in the carrying on of the financial arrangements
15 incidental thereto, by allowing for circumvention of Section 19984, as discussed previously, and
16 the TPPPS contract regulations, which is grounds for denial or conditioning of the Knighted
17 Applications under Section 19857, subdivision (b), and also contributes to the Commission's
18 conclusion that the contract between Fortiss and Knighted is collusive.

19 142. CCR section 12270, subdivision (b)(14), requires a full disclosure of the financial
20 relationship between the cardroom business licensee and any licensee covered by the TPPPS
21 contract. Further, CCR 12270, subdivision (b)(21), requires that the TPPPS contract be a
22 complete expression of all agreements and financial arrangements between the parties. The
23 Three-Party Relationship allows for circumvention of these contract requirements because the
24 former and current contracts contain broad categories of services, including "unusual or
25 additional services" in the First to Fifth Contracts. Additionally, the Sixth Contract entered into
26 October 2018, allowed for the provision of "[a]dditional miscellaneous services as may be
27 specifically requested by Client to Contractor in writing from time to time."
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1 143. Further, the contract fee changed at unspecified intervals, using a vague
2 methodology, and the contract services are not broken out by cost and there is not itemized
3 billing. The aforementioned circumstances enhance the danger of unsuitable practices, such as
4 payment of services that are grossly disproportionate to the value received, or are a work-around
5 for payments to Park Cardrooms that are not allowable under the TPPPS contract regulations.

6 144. Additionally, the nature of the Three-Party Relationship gives the Park Cardrooms
7 (the House) access through Fortiss, to Knighted's financial information and control over several
8 aspects of Knighted's financial accounting and auditing. This also enhances the danger of
9 unsuitable or illegal practices, especially coupled with the fact that Fortiss also contracts with
10 other companies owned by Park and Choi, creating a feasible method to launder, misappropriate,
11 or move funds in a manner that was not contained in the TPPPS contract and approved by the
12 Bureau in advance. While there is no evidence that these practices are occurring, the nature of the
13 Three-Party Relationship enhances the dangers of unsuitable practices and thus is prohibited.

14 **D. THE PERCEPTION OF A COLLUSIVE ARRANGEMENT AND**
15 **POTENTIAL FOR VIOLATIONS OF SECTION 19984 AND TPPPS**
16 **CONTRACT REGULATIONS PRECLUDES RENEWAL OF THE TPPPS**
17 **CONTRACTS BETWEEN KNIGHTED AND PARK CARDROOMS**
18 **ABSENT A CONDITION**

19 145. CCR section 12200.9, subdivision (a)(1)(D), prohibits approval by the Bureau of a
20 TPPPS contract that undermines the public trust that the controlled gambling operations covered
21 by the contract will be conducted honestly, by reason of the existence or perception of any
22 collusive arrangement between any party to the contract and the holder of a state gambling
23 license, or otherwise. By virtue of the Commission's findings in this decision that the Three-Party
24 Relationship creates the perception of a collusive relationship between Fortiss and Knighted, and
25 enhances the potential for violations of Section 19984 and TPPPS contract regulations, future
26 TPPPS contracts between Knighted and the Park Cardrooms cannot be approved by the Bureau
27 absent compliance with the condition imposed in the order herein.

28 146. All documentary and testimonial evidence submitted by the parties that is not
specifically addressed in this Decision and Order was considered but not used by the Commission

1 in making its determination on the Knighted Applications.

2 **LEGAL CONCLUSIONS**

3 147. Division 1.5 of the Business and Professions Code, the provisions of which govern
4 the denial of licenses on various grounds, does not apply to licensure decisions made by the
5 Commission under the Gambling Control Act. Business and Professions Code section 476(a).

6 148. Public trust and confidence can only be maintained by strict and comprehensive
7 regulation of all persons, locations, practices, associations, and activities related to the operation
8 of lawful gambling establishments and the manufacture and distribution of permissible gambling
9 equipment. Business and Professions Code section 19801(h).

10 149. In reviewing an application for any license, the Commission shall consider
11 whether issuance of the license is inimical to public health, safety, or welfare, and whether
12 issuance of the license will undermine public trust that the gambling operations with respect to
13 which the license would be issued are free from criminal and dishonest elements and would be
14 conducted honestly. Business and Professions Code section 19856(c).

15 150. The Commission has the responsibility of assuring that licenses, approvals, and
16 permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose
17 operations are conducted in a manner that is inimical to the public health, safety, or welfare.
18 Business and Professions Code section 19823(a)(1).

19 151. An “unqualified person” means a person who is found to be unqualified pursuant
20 to the criteria set forth in Section 19857, and “disqualified person” means a person who is found
21 to be disqualified pursuant to the criteria set forth in Section 19859. Business and Professions
22 Code section 19823(b).

23 152. The Commission has the power to deny any application for a license, or to limit,
24 condition, or restrict a license, for any cause deemed reasonable by the Commission. Business
25 and Professions Code section 19824(b).

26 153. The Commission has the power to take actions deemed to be reasonable to ensure
27 that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled
28 gambling activities. Business and Professions Code section 19824(d).

1 154. The Commission may require that persons who, in the judgment of the
2 Commission, has the power to exercise significant influence over the gambling operation, apply
3 for a gambling license. Business and Professions Code section 19853(a)(6).

4 155. The burden of proving qualifications to receive any license from the Commission
5 is on the applicant. Business and Professions Code section 19856(a); CCR section 12060(i).

6 156. No gambling license shall be issued unless, based on all the information and
7 documents submitted, the Commission is satisfied that the applicant is a person of good character,
8 honesty, and integrity. Business and Professions Code section 19857(a).

9 157. No gambling license shall be issued unless, based on all of the information and
10 documents submitted, the Commission is satisfied that the applicant is a person whose reputation,
11 habits, and associations do not pose a threat to the public interest of this state, or to the effective
12 regulation and control of controlled gambling, or create or enhance the dangers of unsuitable,
13 unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the
14 carrying on of the business and financial arrangements incidental thereto. Business and
15 Professions Code section 19857(b).

16 158. No gambling license shall be issued unless, based on all of the information and
17 documents submitted, the Commission is satisfied that the applicant is a person that is in all other
18 respects qualified to be licensed as provided in this chapter. Business and Professions Code
19 section 19857(c).

20 159. The Knighted Applicants have established that they have the requisite character,
21 honesty, and integrity for licensure. Based on the findings in this decision, the Commission has
22 concluded that the Three-Party Relationship creates the perception of a collusive arrangement,
23 allows for circumvention of Section 19984, and enhances the dangers of unsuitable, unfair, or
24 illegal practices, and thus constitutes grounds for denial of associated State Gambling Licenses or
25 imposition of a condition, and will also prohibit approval of a TPPPS contract between parties to
26 the Three-Party Relationship.

27 160. Based on the foregoing, the Commission is not satisfied that the Knighted
28 Applicants are qualified for licensure under Sections 19856, subdivision (c), and Section 19857,

1 subdivisions (b) and (c), based on the Three-Party Relationship. However, the Commission is
2 satisfied that if not for the Three-Party Relationship, Knighted would be qualified for licensure.
3 Therefore, the Knighted Applications are approved with a condition requiring severance of the
4 Three-Party Relationship.

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NOTICE OF APPLICANT’S APPEAL RIGHTS

Applicants have the following appeal rights available under state law:

CCR section 12064, subdivisions (a) and (b) provide, in part:

(a) After the Commission issues a decision following a GCA hearing conducted pursuant to Section 12060, an applicant denied a license, permit, registration, or finding of suitability, or whose license, permit, registration, or finding of suitability has had conditions, restrictions, or limitations imposed upon it, may request reconsideration by the Commission. A request for reconsideration must be:

(1) Made in writing to the Commission, copied to the Complainant. The Bureau may provide a written response to the Commission within 10 calendar days of receipt of the request; and

(2) Received by the Commission and Complainant within 30 calendar days of service of the decision, or before the effective date specified in the decision, whichever is earlier.

(b) A request for reconsideration must state the reasons for the request, which must be based upon either:

(1) Newly discovered evidence or legal authorities that could not reasonably have been presented before the Commission’s issuance of the decision or at the hearing on the matter; or,

(2) Other good cause which the Commission may decide, in its sole discretion, merits reconsideration.

Business and Professions Code section 19870, subdivision (f) provides:

A decision of the commission after an evidentiary hearing, 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 held to consider that petition, 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.

CCR section 12066, subdivision (c) provides, in part:

Neither the right to petition for judicial review nor the time for filing the petition will be affected by failure to seek reconsideration.

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ORDER

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1. The Applications for State Gambling License for Knighted Ventures, LLC, and its members, Jieho Lee and Roy Choi are APPROVED with the following conditions:

(1) Knighted Ventures, LLC must cancel the administrative services agreement with Fortiss, LLC by December 31, 2023, which may be extended by order of the Commission upon a showing of good cause.

(2) Knighted Ventures, LLC must provide a report to the Bureau every 60 days on its progress in cancelation of the administrative services agreement with Fortiss, LLC and severance of the services provided, therein.

2. No costs are awarded.

3. Each side to pay its own attorneys' fees.

This Order is effective on February 27, 2023.

Dated: 1/26/2023 Signature: 
38D0AB38C651466...
Paula LaBrie, Chair

Dated: 1/26/2023 Signature: 
3D1DB086F9274AA...
Cathleen Galgiani, Commissioner

Dated: 1/26/2023 Signature: 
2B4CE9520F8845C...
Eric Heins, Commissioner

Dated: 1/26/2023 Signature: 
7722F4571120449...
William Liu, Commissioner

Dated: 1/26/2023 Signature: 
14B4AD3B90F8462...
Edward Yee, Commissioner