

BEFORE THE  
CALIFORNIA GAMBLING CONTROL COMMISSION

In the Matter of the Application for Approval  
of Third-Party Proposition Player Services  
License for:

QUALIFIED PLAYER SERVICES, LLC  
TPPP-000080

and

CASEY ZOLNER  
TPOW-000341

Respondents.

BGC Case No. BGC-HQ2018-00004SL  
CGCC Case No. CGCC-2017-1218-16

**DECISION AND ORDER**

Hearing Dates: July 16-17, 2018  
Time: 10:00 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, in Sacramento, California, from July 16-17, 2018.

William P. Torngren, Deputy Attorney General, State of California (DAG Torngren), represented complainant Stephanie Shimazu, Director of the Bureau of Gambling Control (Bureau), Department of Justice, State of California.

Courtney Baird (Attorney Baird), an attorney with Duane Morris LLP, represented Casey Zolnier (Zolnier), sole owner of respondent Qualified Player Services, LLC (QPS).

During the evidentiary hearing, Presiding Officer Jason Pope took official notice of the Notice of Hearing, with enclosures, and the Notice of Continued Hearing, sent by the Commission to Zolnier, Designated Agent Jarhett Blonien of Blonien and Associates (DA Blonien), and DAG Torngren, via certified mail, on February 16, 2018.

During the evidentiary hearing, Presiding Officer Jason Pope accepted into evidence the following exhibits offered by the Bureau pursuant to a joint stipulation between the parties:

- (1) Jurisdictional documents, without bates numbers;
- (2) Third Party Proposition Player Services Agreement, Bates Nos. QPS029-037;
- (3) Agreement to Provide Audiovisual and Parimutuel Services (Commerce Casino), Bates Nos. BGC0419-0435;

- 1 (4) Agreement Re: Payment of Override Fee (Commerce Casino), Bates Nos.
- 2 BGC0436-0444;
- 3 (5) LLC-1 for Grade 1 OTB LLC (certified), Bates Nos. BGC0182-0184;
- 4 (6) Letter from Haig Papaian to George Haines, Bates No. BGC0458;
- 5 (7) LLC-12 for Grade 1 OTB LLC, Bates Nos. BGC0502-0503;
- 6 (8) Operating Agreement for Grade 1 OTB, LLC (unsigned), Bates Nos. BGC0153-
- 7 0177;
- 8 (9) Operating Agreement for Grade 1 OTB, LLC (with Purpose included; no signature
- 9 page), Bates Nos. BGC0279-0296;
- 10 (10) Operating Agreement for Grade 1 OTB, LLC (signed), Bates Nos. QPS001-028;
- 11 (11) First Amendment to Third-Party Proposition Player Service Agreement, Bates
- 12 Nos. BGC0151-0152;
- 13 (12) Not Used;
- 14 (13) Email from Kristine Gonzales to Casey Zolnier, Bates No. QPS071;
- 15 (14) Grade 1 OTB, LLC Profit & Loss, Bates No. BGC0178;
- 16 (15) Grade 1 OTB, LLC Balance Sheet, Bates No. BGC0185;
- 17 (16) Grade 1 OTB General Ledgers regarding capital contributed by members, Bates
- 18 Nos. BGC0195-0200;
- 19 (17) Casey Zolnier Investment and SoCal Off-Track Wagering Revenue, Bates No.
- 20 BGC0268;
- 21 (18) Commerce Turf club expenses, Bates No. QPS0038;
- 22 (19) Letter from Elijah Zuniga to BGC, Bates No. BGC0249;
- 23 (20) Summary of Questions Asked and Answers Received; Bates Nos. BGC0252-0253;
- 24 (21) First Amendment to Third-Party Proposition Player Service Agreement, Bates
- 25 Nos. BGC0250-0251;
- 26 (22) Email from Lynn Cole to Elijah Zuniga requesting additional information, Bates
- 27 Nos. BGC0254-0255;
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- 1 (23) Summary of Questions Asked and Answers Received for 8/10/17 Request, Bates  
2 Nos. BGC0260-0261;
- 3 (24) First Amendment to Third-Party Proposition Player Service Agreement, Bates Nos  
4 BGC0256-0257;
- 5 (25) Application for Third-Party Proposition Player Services License (Qualified Player  
6 Services, LLC), Bates Nos. BGC0010-0016;
- 7 (26) Application for Third-Pary [sic] Proposition Player Services license (Casey  
8 Zolnier), Bates Nos. BGC0003-0009;
- 9 (27) BGC Requests for Additional Information, Bates Nos. BGC0081-0085;
- 10 (28) Phone Contact Sheet, Bates No. BGC0086;
- 11 (29) Email exchange Camille King and Casey Zolnier, Bates Nos. BGC0087-0088;
- 12 (30) Email from Casey Zolnier to Camille King, Bates Nos. BGC0089-0091;
- 13 (31) BGC Requests for Additional Information, Bates Nos. BGC0092-0096;
- 14 (32) Email from Casey Zolnier to Camille King (with attachments), Bates Nos.  
15 BGC0097-0099;
- 16 (33) Email from Casey Zolnier to Camille King (with attachment), Bates Nos.  
17 BGC0100-0101;
- 18 (34) Email exchange Camille King and Casey Zolnier, Bates Nos. BGC0102-0105;
- 19 (35) BGC disapproval of contract amendment, Bates Nos. BGC0337-0339;
- 20 (36) Email exchange Camille King and Casey Zolnier, Bates Nos. BGC0106-0109;
- 21 (37) Grade 1 OTB Agreement between Casey Zolnier and James Zolnier, Bates No.  
22 QPS072;
- 23 (38) Lisa Wardall to Casey Zolnier regarding denial recommendation, Bates Nos.  
24 BGC0110-0112;
- 25 (39) Email from Casey Zolnier to Lisa Wardall and Camille King (with attachments),  
26 Bates Nos. BGC0113-0126;
- 27 (40) BGC Investigation Report, Bates Nos. BGC0017-0074;
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- 1 (41) Email exchange Camille King and Casey Zolnier, Bates Nos. BGC0127-0129;
- 2 (42) Cate Diaz report for visit 11/17/17, Bates Nos. BGC0360-0361;
- 3 (43) Website pages, Bates Nos. BGC0343-0351;
- 4 (44) Email from Camille King to Lisa Wardall (with Attachments A to D), Bates Nos.
- 5 BGC0459-0483;
- 6 (45) Attachment A – Check 8380 to order of Casey Zolnier, Bates Nos. BGC0461-
- 7 0462;
- 8 (46) Attachment B – Email from Casey Zolnier to Kathi Hegelein (11/28/17), Bates
- 9 Nos. BGC0463-0465;
- 10 (47) Attachment C – Grade 1 OTB LLC adding James Zolnier, Bates Nos. BGC0466-
- 11 0479;
- 12 (48) Attachment D – LLC-12 Filed 11/28/17, Bates Nos. BGC0480-0483;
- 13 (49) Email exchange Quinn Hedges and Lisa Wardall, Bates Nos. BGC0491-0494;
- 14 (50) Email exchange regarding Jarhett Blonien as designated agent, Bates Nos.
- 15 BGC0498-0500;
- 16 (51) CGCC Licensing Division Memorandum, Bates Nos. BGC0076-0080;
- 17 (52) Letter from Jarhett Blonien to CGCC, Bates Nos. BGC0484-0490;
- 18 (53) Riverside County Property Tax Information, Bates Nos. BGC0506-0507;
- 19 (54) Letter from Lake Elsinore Mayor Natasha Johnson to CGCC, Bates No. QPS095;
- 20 (55) Letter from Lake Elsinore Valley Chamber of Commerce to CGCC, Bates No.
- 21 QPS096;
- 22 (56) Letter from Jason Fagarang to “Whom It May Concern”, Bates No. QPS097;
- 23 (57) Letter from Cops for Kids to CGCC, Bates No. QPS098;
- 24 (58) Letter of Recommendation from The Warrior Built Foundation, Bates No.
- 25 QPS099;
- 26 (59) Declaration of James Zolnier, Bates No. QPS100;
- 27 (60) Email from Kristine Gonzales to Casey Zolnier, Bates Nos. QPS101-103; and
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1 (61) Declaration of Pat Fune with attachments; Bates Nos. BGC2772-2791.

2 The matter was submitted on July 17, 2018.

3 FINDINGS OF FACT

4 1. On or about August 23, 2017, the Bureau received two renewal Applications for  
5 Third-Party Proposition Player Services Licenses for Business Entities and Owners  
6 (Applications). The first application is from QPS. The second application is from Casey Zolnier,  
7 as sole owner and President of QPS.

8 2. On or about November 17, 2017, the Commission received a Third-Party Proposition  
9 Player Services and Owner Renewal Report prepared by the Bureau. In this report, the Bureau  
10 recommends that the Commission deny the Applications.

11 3. At its December 18, 2017 meeting, the Commission voted to refer the consideration of  
12 the Applications to a Gambling Control Act evidentiary hearing. The Commission also issued  
13 interim renewal licenses valid through December 31, 2019 to QPS and Zolnier.

14 4. On or about January 3, 2018, the Commission received a signed Notice of Defense  
15 from Zolnier.

16 5. On or about February 16, 2018, the Commission sent a Notice of Hearing, via certified  
17 mail, to Zolnier, DA Blonien, and DAG Torngren.

18 6. On or about May 14, 2018, the Commission received a Statement of Reasons from the  
19 Bureau with the recommendation that the Commission deny the Applications and cancel the  
20 interim renewal licenses of QPS and Zolnier.

21 7. On or about June 12, 2018, the noticed Prehearing Conference was held before  
22 Presiding Officer Jason Pope, Attorney III of the Commission. DAG Torngren attended on behalf  
23 of the Bureau. Attorney Baird attended on behalf of QPS and Zolnier.

24 8. Also on or about June 12, 2018, the Commission sent a Conclusion of Prehearing  
25 Conference letter to Attorney Baird and DAG Torngren.

26 9. The Commission heard CGCC Case No. CGCC-2017-1218-16 from July 16-17, 2018.  
27 The Bureau was represented throughout the hearing by DAG Torngren. QPS and Zolnier were  
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1 represented throughout the hearing by Attorney Baird.

2 **Third-Party Provider of Proposition Player Services Agreement**

3 10. Zolnier started QPS in 2009. QPS provides third-party proposition player services to  
4 gambling establishments pursuant to third-party provider of proposition player services contracts  
5 that are approved by the Bureau. QPS has been providing third party proposition player services  
6 at Lake Elsinore Hotel and Casino (Lake Elsinore) since 2009 pursuant to continuously renewed  
7 third party proposition player services contracts approved by the Bureau.

8 11. On or about August 22, 2016, QPS entered into a renewal Third Party Proposition  
9 Player Service Agreement (TP Agreement) with Lake Elsinore. The TP Agreement started on  
10 September 1, 2016 and ends on August 31, 2018.

11 12. Lake Elsinore is a licensed gambling establishment located in Lake Elsinore,  
12 California. Ted Kingston (Kingston) owns a 50% interest in Lake Elsinore.

13 13. CCR section 12200.7(b)(14) requires that the TP Agreement include “a full disclosure  
14 of any financial arrangements entered into during the term of the contract for any purpose  
15 between the house and any registrant or licensee covered by the proposition player contract.”  
16 Business and Professions Code section 19805(t) defines “house” to mean “the gambling  
17 enterprise, and any owner, shareholder, partner, key employee, or landlord thereof.” Kingston, as  
18 the owner of Lake Elsinore, is included in the definition of “house.” Zolnier is a licensee covered  
19 by the TP Agreement. As a result, the TP Agreement must include all financial arrangements  
20 between Zolnier and Kingston.

21 **Grade 1 OTB, LLC**

22 14. Kingston made his first contribution for his membership interest in Grade 1 OTB,  
23 LLC (Grade 1) on February 1, 2017. Zolnier made his first contribution for his membership  
24 interest in Grade 1 on March 17, 2017. Grade 1’s general ledger shows that Kingston and Zolnier  
25 contributed a total of \$128,429.40 and \$109,323.89, respectively, for their membership interests  
26 in Grade 1 through June 30, 2017. There was no evidence presented that Zolnier was subsidizing  
27 Kingston’s financial interest in Grade 1. Grade 1 provides services related to the development and  
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1 improvement of off-track satellite wagering facilities.

2 15. On or about March 22, 2017, Grade 1 filed its Articles of Organization of a Limited  
3 Liability Company (Articles of Organization) with the Secretary of State for the State of  
4 California (California Secretary of State). In the Articles of Organization, Kingston and Zolnier  
5 are listed as additional Manager(s) or Member(s) of Grade 1.

6 16. On or about April 3, 2017, Grade 1 was issued a business license by the California  
7 Secretary of State.

8 17. On or about April 10, 2017, Grade 1 filed a Statement of Information with the  
9 California Secretary of State, which provides that Brandon Zennedjian is the Manager of Grade 1.  
10 Kingston and Zolnier are listed on the Statement of Information as additional Manager(s) or  
11 Member(s) of Grade 1.

12 18. Until November 7, 2017, Grade 1's Members were Zolnier, Kingston, Brandon  
13 Zennedjian, and Eddie Serop Zennedjian.

14 19. There is equal voting power among all of the Members of Grade 1, who each receive  
15 one vote regardless of ownership percentage.

16 20. By creating and becoming Members of Grade 1, Zolnier and Kingston had entered  
17 into a "financial arrangement" during the term of the TP Agreement that was required to be  
18 disclosed in the TP Agreement pursuant to CCR section 12200.7(b)(14).

19 21. On or about March 14, 2017, Southern California Off-Track Wagering, Ltd., a  
20 California limited partnership acting through its General Partner, Southern California Off-Track  
21 Wagering, Inc. (Scotwinc) and California Commerce Club, Inc. (Commerce), the owner-licensee  
22 of Commerce Casino, a licensed gambling establishment located in Commerce, California,  
23 entered into two agreements: (1) Agreement to Provide Audiovisual and Parimutuel Services to a  
24 Minisatellite Wagering Site located at Commerce Casino; and (2) Agreement Regarding Payment  
25 of Override Fee to a Mini-Satellite Wagering Facility (Override Agreement). Pursuant to these  
26 agreements, Scotwinc is responsible for offering the mini-satellite wagering at Commerce Casino.

27 22. The Override Agreement provides that Scotwinc is to provide Commerce with an  
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1 Override Fee in the amount of .9% of the handle (wagering net of cancelled debts) generated at  
2 the off-track satellite wagering facility located at Commerce Casino during the Override Period.

3 23. Grade 1 expanded and improved the off-track satellite wagering facility located at  
4 Commerce Casino pursuant to a contract between Grade 1 and Commerce. In exchange for the  
5 services provided by Grade 1, the .9% Override Fee payable by Scotwinc to Commerce during  
6 the Override Period shall instead be paid to Grade 1.

7 24. Grade 1 does not provide services to Lake Elsinore or the off-track satellite wagering  
8 facility located at Lake Elsinore.

9 **Rental Agreement for Single Family Residence**

10 25. On or about March 7, 2017, Zolnier and his wife purchased a single family residence  
11 in Murrieta, California (Murrieta Property). Zolnier purchased the residence as a rental property.  
12 The Grant Deed was filed in the Recorder's Office for the County of Riverside on or about April  
13 12, 2017.

14 26. On June 21, 2017, Zolnier entered into a property management agreement with  
15 Coldwell Banker Associated Brokers Realty (Coldwell Banker). The property management  
16 agreement and related documents provide, among other things, that Coldwell Banker would rent  
17 the Murrieta Property to a third party for a minimum of \$2,500 per month and receive a \$55  
18 monthly management fee.

19 27. Also on June 21, 2017, Coldwell Banker and Kingston entered into a residential lease  
20 for Kingston to rent the Murrieta Property. The residential lease and related documents provide,  
21 among other things, that Kingston would pay \$2,500 per month during the lease's term, which  
22 expires on June 30, 2019, a \$2,500 security deposit, and utilities.

23 28. The amount of the debt servicing for the Murrieta Property is approximately \$2,716.82  
24 per month. There is no reimbursement by Kingston to Zolnier for the amount of the homeowners  
25 insurance, property taxes, or property management fees. As a result, the residential lease to  
26 Kingston does not cover Zolnier's monthly expenses related to the Murrieta Property.

27 29. According to Kristine Gonzales of Coldwell Banker, the \$2,500 monthly rent for the  
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1 Murrieta Property is the fair market rental value. There was no evidence presented that the fair  
2 market rental value exceeds \$2,500 per month.

3 **First Amendment to TP Agreement**

4 30. On or about May 22, 2017, QPS and Lake Elsinore submitted a First Amendment to  
5 Third-Party Proposition Player Services Agreement (TP Amendment) to the Bureau. According  
6 to the Bureau, the TP Amendment was received on or about May 30, 2017.

7 31. Pursuant to CCR section 12200.7(b)(14), QPS and Lake Elsinore voluntarily disclosed  
8 in the TP Amendment the following financial arrangements:

9 a. Zolnier owns a single family residence located in Murrieta, California. Zolnier  
10 contracted with Coldwell Banker to lease the property. Kingston desires to rent  
11 the property at fair market value and through the property manager.

12 b. Zolnier and Kingston are members of Grade 1, which was formed to offer  
13 services for a simulcast only horse racing.

14 32. Zolnier and Kingston became Members of Grade 1 prior to submitting the TP  
15 Amendment to the Bureau. The residential lease between Coldwell Banker and Kingston for the  
16 Murrieta Property was entered into after the Bureau received the TP Amendment. However, both  
17 the creation of Grade 1 and the commencement of the residential lease occurred prior to the  
18 Bureau's consideration of the TP Amendment and completion of its investigation into these  
19 financial arrangements between Zolnier and Kingston.

20 **The Bureau's Investigation**

21 33. QPS and Lake Elsinore's submission of the TP Amendment to the Bureau triggered  
22 the Bureau's investigation into the two financial arrangements between Zolnier and Kingston  
23 (Investigation).

24 34. The Articles of Organization, business license, and Statement of Information that  
25 Grade 1 filed with the California Secretary of State were received and reviewed by the Bureau  
26 during its Investigation.

27 35. Zolnier also provided two Operating Agreements of Grade 1 to the Bureau during its  
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1 Investigation. The first Operating Agreement does not list the purpose of Grade 1, but includes a  
2 list of all of its Members as follows: (1) Kingston; (2) Zolnier; (3) Brandon Zennedjian; and (4)  
3 Eddie Serop Zennedjian. The second Operating Agreement lists the purpose of the company as  
4 “entertainment and off track betting,” but does not include a list of its Members. Both Operating  
5 Agreements contain an execution date of April 12, 2017.

6 36. Grade 1 also prepared a third Operating Agreement, which lists the purpose of Grade 1  
7 as “Off Track Betting (OTB), sanctioned gambling on horses, wagering facility,” and is signed by  
8 all four Members with the following ownership percentages: (1) Kingston (30%); (2) Zolnier  
9 (30%); (3) Brandon Zennedjian (30%); and (4) Eddie Serop Zennedjian (10%). The third  
10 Operating Agreement was not received by the Bureau during its investigation, but was received  
11 prior to the hearing on the Applications. Although only the third Operating Agreement was signed  
12 and included the ownership percentages of the Members, there was no material difference among  
13 the three Operating Agreements.

14 37. The Bureau requested additional information in writing from Zolnier pursuant to its  
15 Investigation on or about the following dates: (1) July 5, 2017; (2) August 10, 2017; (3)  
16 September 6, 2017; (4) September 29, 2017; (5) October 6, 2017; and (6) October 9, 2017.

17 38. Zolnier, either himself or through his Designated Agent, Elijah Zuniga (DA Zuniga),  
18 timely responded to and substantially complied with each of the Bureau’s written requests for  
19 additional information.

20 39. Regarding Grade 1, Zolnier provided the following information in response to the  
21 Bureau’s requests for information: the first two Operating Agreements; Articles of Organization;  
22 Statement of Information; the date that Grade 1 was formed; the date that Zolnier became a  
23 Member of Grade 1; the amount and source of funds for Zolnier’s investment in Grade 1; the  
24 location of Grade 1’s offices or locations of business dealings; a list of all Members and their  
25 ownership percentages of Grade 1; financial statements for Grade 1 including a General Ledger,  
26 Transactions by Account, and Balance Sheet as of June 30, 2017 and Profit and Loss Statement  
27 for January through June 2017; an amended TP Amendment to include the effective date of  
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1 Zolnier's involvement with Grade 1; a Transactions by Account for Kingston; substantiating  
2 documentation for the net revenue for Grade 1 as listed in the Profit and Loss Statement; and  
3 substantiating documentation for Zolnier's investment in Grade 1.

4 40. Regarding the Murrieta Property, Zolnier provided the following information in  
5 response to the Bureau's requests for information: an amended version of the TP Amendment to  
6 include the dollar amount and effective dates of the residential lease; a copy of the residential  
7 lease; a statement that Coldwell Banker determined the fair market rental value of the Murrieta  
8 Property to be \$2,500 per month; documentation regarding the purchase of the Murrieta Property;  
9 and information regarding the down payment made by Zolnier on the Murrieta Property.

10 41. Regarding the Bureau's requests for additional information regarding QPS' and  
11 Zolnier's Applications, Zolnier provided the following: a copy of his current California Driver's  
12 License; a list of all agreements between Zolnier and all other parties, individuals, and/or entities;  
13 a completed Appointment of Designated Agent form for Owners and Proposition Players; a  
14 completed Third-Party Proposition Player Services Employee Report; a list of all agreements  
15 between QPS and all other parties, individuals, and/or entities other than the TP Agreement  
16 between QPS and Lake Elsinore; QPS' General Ledger for the years ending December 31, 2015  
17 and December 31, 2016; copies of all current business licenses for QPS; lease agreements and  
18 additional information for properties owned or leased by Zolnier and/or QPS in Lake Elsinore,  
19 San Diego, and Stockton, California; a copy of Zolnier's work permit issued by the Lake Elsinore  
20 Police Department; information regarding QPS' company vehicles; QPS' General Ledger for  
21 January 1, 2017 through August 31, 2017; and the current rental agreement for property located in  
22 Lake Elsinore, California.

23 42. In his responses to the Bureau, Zolnier failed to provide a complete, signed version of  
24 Grade 1's Operating Agreement (as noted above) and incorrectly listed the term of the residential  
25 lease of the Murrieta Property rented by Kingston as one year when it was a two year lease. These  
26 mistakes were not intentional and do not reflect negatively upon Zolnier's character or suitability  
27 for licensure.

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1 **The Bureau’s Disapproval of the TP Amendment**

2 43. On or about October 6, 2017, the Bureau disapproved the TP Amendment pursuant to  
3 CCR section 12200.9(a)(1) on the basis that the “public’s natural perception of the agreements  
4 disclosed in the [TP Amendment] is that it is collusive. These agreements with Lake Elsinore  
5 undermine the public’s trust that gambling is conducted honestly, competitively and free of  
6 corruptive elements.”

7 44. CCR section 12200.9(a)(1)(D) provides that “the Bureau must approve a proposition  
8 player contract only if . . . the contract will not undermine public trust that the controlled  
9 gambling operations covered by the contract will be conducted honestly, by reason of the  
10 existence or perception of any collusive arrangement between any party to the contract and the  
11 holder of a state gambling license, or otherwise.”

12 45. There was no evidence presented of any actual collusion between QPS/Zolnier and  
13 Lake Elsinore/Kingston.

14 **The Bureau’s Recommendation to Deny QPS’ and Zolnier’s Applications**

15 46. On or about November 8, 2017, the Bureau sent an email and a letter via certified mail  
16 to Zolnier advising him of the Bureau’s recommendation to deny the Applications of QPS and  
17 Zolnier.

18 47. On or about November 17, 2017, the Bureau sent a letter to Zolnier advising him that  
19 the Bureau completed its background investigation of QPS and Zolnier and is recommending  
20 denial of their Applications. The Bureau’s basis for denial in its background investigation report  
21 is that the mutual ownership interests that Zolnier and Kingston share in Grade 1, and the rental  
22 agreement between Zolnier and Kingston for the Murrieta Property, gives “the well-founded  
23 impression of collusion between QPS and Lake Elsinore, which undermines the public’s trust that  
24 controlled gambling operations will be conducted honestly and free from criminal and corruptive  
25 elements.”

26 **Zolnier’s Divestment of His Membership Interest in Grade 1**

27 48. Zolnier disagreed with the Bureau’s conclusion that his financial arrangements with  
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1 Kingston appear collusive. However, in an attempt to address the Bureau’s concerns of the  
2 appearance of collusion, Zolnier agreed to sell his shares of Grade 1 and to place the Murrieta  
3 Property rented by Kingston for sale.

4 49. On or about October 16, 2017, Zolnier informed the Bureau that he is selling his entire  
5 30% Membership interest in Grade 1 to James Zolnier, his father. On or about October 29, 2017,  
6 Zolnier sold his entire 30% Membership interest to James Zolnier for \$20,000, with no right of  
7 inheritance as long as a third-party provider of proposition player services agreement exists  
8 between Zolnier and Kingston as the owner of Lake Elsinore. Zolnier submitted a Declaration  
9 from James Zolnier which sets forth the restrictions on Zolnier’s potential inheritance of James  
10 Zolnier’s interest in Grade 1.

11 50. Zolnier resigned as an organizer of Grade 1 effective November 7, 2017, which is  
12 reflected in the Minutes of Organizational Meeting of Members of Grade 1 on November 7, 2017.  
13 Zolnier provided a more legible copy of the \$20,000 check issued to him by James Zolnier to the  
14 Bureau on or about November 17, 2017. On or about November 28, 2017, the Bureau confirmed  
15 that the California Secretary of State shows the following members of Grade 1: Kingston,  
16 Brandon Zennedjian, Eddie Zennedjian, and James Zolnier.

17  
18 **Zolnier Places Murrieta Property for Sale**

19 51. On November 16, 2017, Zolnier entered into an agreement with Kristine Gonzales of  
20 Coldwell Banker to place the Murrieta Property rented by Kingston for sale. In the Residential  
21 Listing Agreement, the additional terms include that “Tenant [Kingston] to remain throughout  
22 lease term of 6/30/2019 unless tenant agrees to terminate early and all parties agree.”

23 **Zolnier’s Letters of Reference**

24 52. Zolnier produced five letters of reference during the evidentiary hearing in support of  
25 the Applications as follows:

- 26 a. Natasha Johnson (Johnson) is the Mayor of the City of Lake Elsinore. Johnson  
27 states that Zolnier and QPS have had a tremendously positive role within the city  
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1 of Lake Elsinore; that Zolnier is a person of good moral character, generosity, and  
2 integrity; that Zolnier is a strong supporter of local non-profits through  
3 volunteering and financial contributions; and that Zolnier is a Member of the  
4 Board of Directors for the Lake Elsinore Chamber of Commerce.

5 b. Kim Joseph Cousins (Cousins) is the President/CEO of the Lake Elsinore Valley  
6 Chamber of Commerce. Cousins states that Zolnier is a member in good standing  
7 and has served on the Board for 3 years; that Zolnier has been a valuable asset  
8 providing insight into developing policy and procedures to encourage economic  
9 development; that Zolnier played a role in funding their Annual Participation at  
10 ICSC RECON Las Vegas and Los Angeles trade shows to recruit retail, hotel, and  
11 service companies to invest in Lake Elsinore; and that Zolnier is generous in  
12 supporting non-profits including the Boys and Girls Club, Cops for Kids, Rotary  
13 and Studio 395. Cousins provides his highest recommendation for Zolnier as a  
14 business leader who is engaged in making his community a better place to work,  
15 live, and play.

16 c. Jason Fagarang (Fagarang) is an Assistant Account Manager with QPS. Fagarang  
17 has been employed with QPS since 2009. Fagarang states that Zolnier treats  
18 employees with respect and understanding; that he loves working for Zolnier; that  
19 Zolnier has pushed him to better himself; and that Zolnier has provided him with  
20 the opportunity to help Zolnier grow the company.

21 d. Dave Fortneau (Fortneau) is the Executive Director of Cops for Kids. Fortneau  
22 recommends Zolnier for licensure. Fortneau states that Zolnier has been helping  
23 Cops for Kids for almost a decade. Cops for Kids started with giving a few  
24 disadvantaged children Christmas presents, and has grown into a local  
25 organization that assists children, seniors and families who find themselves in  
26 unfortunate situations. Fortneau states that Zolnier attends numerous functions and  
27 has donated significantly.  
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1 e. Aaron Q. Seibert (Seibert) is the Vice President of The Warrior Built Foundation.  
2 The Warrior Built Foundation's mission is to provide vocational-recreational  
3 support for our nation's combat veterans. Seibert recommends Zolnier for  
4 licensure and extends his appreciation to Zolnier for his support and generosity.

5 53. The five letters of reference were individualized and credible, and are persuasive that  
6 Zolnier maintains an active and positive role in the community; volunteers his time; and makes  
7 significant financial contributions to various non-profits. These activities demonstrate that Zolnier  
8 is helpful, generous, and civic-minded, and reflect positively on Zolnier's character and integrity.

9 **Assessment of Suitability of QPS/Zolnier for Licensure**

10 54. It was inappropriate for Zolnier to enter into the Grade 1 and Murrieta Property  
11 financial arrangements with Kingston prior to disclosing the arrangements to the Bureau in the TP  
12 Amendment and receiving the Bureau's approval of the TP Amendment. However, Zolnier  
13 voluntarily disclosed both of his financial arrangements with Kingston to the Bureau in the TP  
14 Amendment, which demonstrates honesty and transparency. Thereafter, Zolnier timely responded  
15 to and substantially complied with each of the Bureau's written requests for additional  
16 information. While Zolnier failed to provide a complete, signed version of Grade 1's Operating  
17 Agreement and incorrectly listed the term of the residential lease as one year when it was a two  
18 year lease in his responses to the Bureau, these mistakes did not seem to be intentional and do not  
19 reflect negatively upon Zolnier's character or suitability for licensure. Upon learning that the  
20 Bureau disapproved the TP Amendment because of the appearance of collusion, Zolnier  
21 attempted to rectify the situation by selling his entire membership interest in Grade 1 and placing  
22 the Murrieta Property for sale. There was no evidence presented of any actual collusion between  
23 QPS/Zolnier and Lake Elsinore/Kingston. Zolnier's testimony during the hearing regarding his  
24 involvement in Grade 1 and his purchase and renting of the Murrieta Property to Kingston  
25 appeared honest and credible. Zolnier's five letters of reference are persuasive that Zolnier is  
26 helpful, generous, and civic-minded, and cares about his community. As a result, Zolnier, both  
27 individually and as the sole owner of QPS, has met his burden of demonstrating that he is a  
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1 person of good character, honesty, and integrity.

2 55. Zolnier's lease of the Murrieta Property to Kingston appears to have been made in  
3 good faith and at fair market rental value. Additionally, there was no evidence presented of any  
4 actual collusion between QPS/Zolnier and Lake Elsinore/Kingston. However, there is a concern  
5 that this financial arrangement may undermine public trust that the gambling operations  
6 conducted by Lake Elsinore, in which QPS is the third-party provider of proposition player  
7 services, are free from corruptive and criminal elements and are conducted honestly. As a result,  
8 Zolnier, both individually and as the sole owner of QPS, has met his burden of demonstrating that  
9 he is a person whose prior activities, criminal record, if any, reputation, habits, and associations  
10 do not pose a threat to the public interest of this state, or to the effective regulation and control of  
11 controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices,  
12 methods, and activities in the conduct of controlled gambling or in the carrying on of the business  
13 and financial arrangements incidental thereto, but only through strict compliance with the  
14 following conditions, which are necessary to protect the public and ensure the effective regulation  
15 and control of controlled gambling:

16 License Conditions:

- 17 1. Casey Zolnier must sell the Murrieta Property and close escrow within six (6)  
18 months of the effective date of this Decision and Order. The Commission may  
19 extend the six (6) months for any reason which the Commission determines, in its  
20 sole discretion, merits an extension.
- 21 2. Casey Zolnier must not sell the Murrieta Property to Ted Kingston or his spouse,  
22 cohabitant, parent of his child, child, parent, brother, sister, or an affiliate (as that  
23 term is defined in Business and Professions Code section 19805) of one of these  
24 persons without the prior approval of the Bureau of Gambling Control upon its  
25 determination that the terms and conditions of the sale do not pose a threat to the  
26 public interest of this State, or to the effective regulation and control of controlled  
27 gambling, or create or enhance the dangers of unsuitable, unfair, or illegal  
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1 practices, methods, and activities in the conduct of controlled gambling or in the  
2 carrying on of the business and financial arrangements incidental thereto, and that  
3 the sales price is the fair market value.

4 3. Casey Zolnier's Residential Listing Agreement for the sale of the Murrieta  
5 Property must not contain a provision requiring the buyer to honor the existing  
6 rental agreement between Casey Zolnier/Coldwell Banker and Ted Kingston. This  
7 condition is not intended to prohibit Casey Zolnier from disclosing that there is an  
8 existing lease.

9 4. Casey Zolnier must not extend or renew the lease of the Murrieta Property to Ted  
10 Kingston, and may not lease the property to Ted Kingston's spouse, cohabitant,  
11 parent of his child, child, parent, brother, sister, or an affiliate (as that term is  
12 defined in Business and Professions Code section 19805) of one of these persons.

13 56. There was no evidence presented that Zolnier is disqualified from licensure for any of  
14 the reasons provided in Business and Professions Code section 19859 or CCR section 12218.11.

15 57. All documentary and testimonial evidence submitted by the parties that is not  
16 specifically addressed in this Decision and Order was considered but not used by the Commission  
17 in making its determination on QPS' and Zolnier's Applications.

18 58. The matter was submitted for Commission consideration on July 17, 2018.

#### 19 LEGAL CONCLUSIONS

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

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

27 61. The Commission has the responsibility of assuring that licenses, approvals, and  
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1 permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose  
2 operations are conducted in a manner that is inimical to the public health, safety, or welfare.

3 Business and Professions Code section 19823(a)(1).

4 62. An “unqualified person” means a person who is found to be unqualified pursuant to  
5 the criteria set forth in Section 19857, and “disqualified person” means a person who is found to  
6 be disqualified pursuant to the criteria set forth in Section 19859. Business and Professions Code  
7 section 19823(b).

8 63. The Commission has the power to deny any application for a license, permit, or  
9 approval for any cause deemed reasonable by the Commission. Business and Professions Code  
10 section 19824(b).

11 64. The Commission has the power to limit, condition, or restrict any license for any cause  
12 deemed reasonable by the Commission. Business and Professions Code section 19824(b).

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

16 66. The burden of proving his or her qualifications to receive any license from the  
17 Commission is on the applicant. Business and Professions Code section 19856(a).

18 67. An application to receive a license constitutes a request for a determination of the  
19 applicant’s general character, integrity, and ability to participate in, engage in, or be associated  
20 with, controlled gambling. Business and Professions Code section 19856(b).

21 68. At an evidentiary hearing pursuant to Business and Professions Code sections 19870  
22 and 19871 and CCR section 12060(b), the burden of proof rests with the applicant to prove his or  
23 her qualifications to receive any license under the Gambling Control Act. CCR section 12060(i).

24 69. No gambling license shall be issued unless, based on all of the information and  
25 documents submitted, the commission is satisfied that the applicant is a person of good character,  
26 honesty, and integrity. Business and Professions Code section 19857(a).

27 70. No gambling license shall be issued unless, based on all of the information and  
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1 documents submitted, the commission is satisfied that the applicant is a person whose prior  
2 activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the  
3 public interest of this state, or to the effective regulation and control of controlled gambling, or  
4 create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in  
5 the conduct of controlled gambling or in the carrying on of the business and financial  
6 arrangements incidental thereto. Business and Professions Code section 19857(b).

7 71. No gambling license shall be issued unless, based on all of the information and  
8 documents submitted, the commission is satisfied that the applicant is a person that is in all other  
9 respects qualified to be licensed as provided in this chapter. Business and Professions Code  
10 section 19857(c).

11 72. Zolnier, both individually and as the sole owner of QPS, has met his burden of  
12 demonstrating that he is a person of good character, honesty, and integrity. Therefore, both  
13 Zolnier and QPS are qualified to receive third-party provider of proposition player services  
14 licenses pursuant to Business and Professions Code section 19857(a).

15 73. Zolnier, both individually and as the sole owner of QPS, has met his burden of  
16 proving that, with appropriate conditions, he is a person whose prior activities, criminal record, if  
17 any, reputation, habits, and associations do not pose a threat to the public interest of this state, or  
18 to the effective regulation and control of controlled gambling, or create or enhance the dangers of  
19 unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled  
20 gambling or in the carrying on of the business and financial arrangements incidental thereto under  
21 the conditions imposed by the Commission on his and QPS' third-party provider of proposition  
22 player services licenses pursuant to this Decision and Order. Therefore, both Zolnier and QPS are  
23 qualified to receive third-party provider of proposition player services licenses pursuant to  
24 Business and Professions Code section 19857(b), but only through strict compliance with the  
25 following conditions:

26 License Conditions:

- 27 1. Casey Zolnier must sell the Murrieta Property and close escrow within six (6)  
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1 months of the effective date of this Decision and Order. The Commission may  
2 extend the six (6) months for any reason which the Commission determines, in its  
3 sole discretion, merits an extension.

4 2. Casey Zolnier must not sell the Murrieta Property to Ted Kingston or his spouse,  
5 cohabitant, parent of his child, child, parent, brother, sister, or an affiliate (as that  
6 term is defined in Business and Professions Code section 19805) of one of these  
7 persons without the prior approval of the Bureau of Gambling Control upon its  
8 determination that the terms and conditions of the sale do not pose a threat to the  
9 public interest of this State, or to the effective regulation and control of controlled  
10 gambling, or create or enhance the dangers of unsuitable, unfair, or illegal  
11 practices, methods, and activities in the conduct of controlled gambling or in the  
12 carrying on of the business and financial arrangements incidental thereto, and that  
13 the sales price is the fair market value.

14 3. Casey Zolnier's Residential Listing Agreement for the sale of the Murrieta  
15 Property must not contain a provision requiring the buyer to honor the existing  
16 rental agreement between Casey Zolnier/Coldwell Banker and Ted Kingston. This  
17 condition is not intended to prohibit Casey Zolnier from disclosing that there is an  
18 existing lease.

19 4. Casey Zolnier must not extend or renew the lease of the Murrieta Property to Ted  
20 Kingston, and may not lease the property to Ted Kingston's spouse, cohabitant,  
21 parent of his child, child, parent, brother, sister, or an affiliate (as that term is  
22 defined in Business and Professions Code section 19805) of one of these persons.

23 74. Zolnier and QPS have met their burdens of proving that they are persons that are in all  
24 other respects qualified to be licensed as provided in the Gambling Control Act. Therefore, both  
25 Zolnier and QPS are qualified to receive third-party provider of proposition player services  
26 licenses pursuant to Business and Professions Code section 19857(c).

27 75. Zolnier and QPS have met their burdens of proving that they are not disqualified from  
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1 licensure pursuant to Business and Professions Code section 19859, and are not ineligible for  
2 licensing pursuant to CCR section 12218.11.

3 NOTICE OF APPLICANT'S APPEAL RIGHTS

4 Respondent Casey Zolnier, both individually and as the sole owner of Qualified Player Services,  
5 LLC, has the following appeal rights available under state law:

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

7 An applicant denied a license, permit, registration, or finding of suitability,  
8 or whose license, permit, registration, or finding of suitability has had  
9 conditions, restrictions, or limitations imposed upon it, may request  
10 reconsideration by the Commission within 30 calendar days of service of the  
11 decision, or before the effective date specified in the decision, whichever is  
12 later. The request shall be made in writing to the Commission, copied to the  
Bureau, and shall state the reasons for the request, which must be based  
upon either 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 upon other good cause which the  
Commission may decide, in its sole discretion, merits reconsideration.

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

14 A decision of the commission denying a license or approval, or imposing  
15 any condition or restriction on the grant of a license or approval may be  
16 reviewed by petition pursuant to Section 1085 of the Code of Civil  
17 Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply to  
18 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.

19 CCR section 12066, subsection (c) provides:

20 A decision of the Commission denying an application or imposing conditions on  
21 license shall be subject to judicial review as provided in Business and Professions  
22 Code section 19870, subdivision (e). Neither the right to petition for judicial  
review nor the time for filing the petition shall be affected by failure to seek  
reconsideration.

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ORDER

1  
2 1. The Applications for Renewal of Third-Party Provider of Proposition Player Services  
3 Licenses by Respondent Qualified Player Services, LLC, and its sole owner, Casey Zolnier, are  
4 APPROVED WITH CONDITIONS, as follows:

5 1. Casey Zolnier must sell the Murrieta Property and close escrow within six (6)  
6 months of the effective date of this Decision and Order. The Commission may  
7 extend the six (6) months for any reason which the Commission determines, in its  
8 sole discretion, merits an extension.

9 2. Casey Zolnier must not sell the Murrieta Property to Ted Kingston or his  
10 spouse, cohabitant, parent of his child, child, parent, brother, sister, or an affiliate  
11 (as that term is defined in Business and Professions Code section 19805) of one of  
12 these persons without the prior approval of the Bureau of Gambling Control upon  
13 its determination that the terms and conditions of the sale do not pose a threat to  
14 the public interest of this State, or to the effective regulation and control of  
15 controlled gambling, or create or enhance the dangers of unsuitable, unfair, or  
16 illegal practices, methods, and activities in the conduct of controlled gambling or  
17 in the carrying on of the business and financial arrangements incidental thereto,  
18 and that the sales price is the fair market value.

19 3. Casey Zolnier's Residential Listing Agreement for the sale of the Murrieta  
20 Property must not contain a provision requiring the buyer to honor the existing  
21 rental agreement between Casey Zolnier/Coldwell Banker and Ted Kingston. This  
22 condition is not intended to prohibit Casey Zolnier from disclosing that there is an  
23 existing lease.

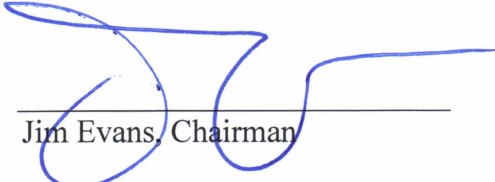
24 4. Casey Zolnier must not extend or renew the lease of the Murrieta Property to  
25 Ted Kingston, and may not lease the property to Ted Kingston's spouse,  
26 cohabitant, parent of his child, child, parent, brother, sister, or an affiliate (as that  
27 term is defined in Business and Professions Code section 19805) of one of these  
28 persons.

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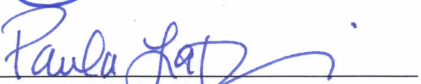
- 2. No costs are to be awarded.
- 3. Each side to pay its own attorneys' fees.

This Order is effective on September 6, 2018.


Dated: 9/6/18

Signature:   
Jim Evans, Chairman

Dated: 9/6/18

Signature:   
Paula LaBrie, Commissioner

Dated: 9/6/18

Signature:   
Trang To, Commissioner