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BEFORE THE
CALIFORNIA GAMBLING CONTROL COMMISSION

In the Matter of the Applications for Approval of Renewal of Cardroom Owner Type License for

CENTRAL COAST CASINO:
CENTRAL COAST CASINO GROVER BEACH, INC.; DAVID STEARNS; and
THERESA STEARNS

Respondents.

BGC Case No. BGC-HQ2023-00005AL

CGCC Case No. CGCC-2022-1117-4A

DECISION AND ORDER

Hearing Date: June 3, 2024

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, via Zoom video conference, on June 3, 2024.¹

Attorney Gregory Connell (Attorney Connell) appeared on behalf of Respondents Central Coast Casino: Central Coast Casino Grover Beach, Inc. (CCCGBI), David Stearns, and Theresa Stearns (collectively, Respondents) during the evidentiary hearing.

Michael Yi, Deputy Attorney General, State of California (DAG Yi), represented complainant Yolanda Morrow, Director of the Bureau of Gambling Control (Bureau), Department of Justice, State of California.

During the evidentiary hearing, Presiding Officer Paras Modha (PO Modha), Attorney IV of the Commission, took official notice and admitted into the administrative record the following documents: the Commission’s Notice and Agenda of Commission Hearing; the Commission’s Conclusion of Prehearing Conference letter; the Commission’s Notice of Hearing and Prehearing Conference with attachments (A) Respondents’ Applications for Owner Category Licenses, and (B) the Bureau’s Background Investigation Report; the Bureau’s Statement of Particulars; and Respondents’ signed Notice of Defense forms.

During the evidentiary hearing, and pursuant to a stipulation between the parties, PO

¹ This hearing was originally scheduled for two days on June 3 and June 4, 2024. However, the hearing concluded on June 3, 2024.

1 Modha accepted into evidence Exhibits 1-16, Bates Nos. BGC 0001-0599, offered by the Bureau,
 2 with Exhibits 1-15 identified on the Bureau’s Evidentiary Exhibit Index, and Exhibit 16
 3 consisting of the following: (1) Renewal Application for State Gambling License: Owner
 4 Licensee submitted by David Stearns on or about January 18, 2012; (2) Renewal Application for
 5 State Gambling License: Owner Licensee submitted by Theresa Stearns on or about February 6,
 6 2012; (3) Renewal Application for State Gambling License: Owner Licensee submitted by David
 7 Stearns on behalf of CCCGBI on or about January 18, 2012; (4) Renewal Application for State
 8 Gambling License: Owner Licensee submitted by David Stearns on behalf of CCCGBI on or
 9 about January 16, 2014; (5) Renewal Application for State Gambling License: Owner Licensee
 10 submitted by David Stearns on or about January 16, 2014; (6) Renewal Application for State
 11 Gambling License: Owner Licensee and Endorsed Licensee submitted by Theresa Stearns on or
 12 about January 16, 2014; (7) Renewal Application for State Gambling License: Owner Licensee
 13 submitted by David Stearns on behalf of CCCGBI on or about January 29, 2016; (8) Renewal
 14 Application for State Gambling License: Owner Licensee submitted by David Stearns on or about
 15 January 29, 2016; and (9) Renewal Application for State Gambling License: Endorsee Licensee
 16 submitted by Theresa Stearns on or about January 29, 2016.²

17 PO Modha also accepted into evidence Exhibits A-H and Item 4A of Exhibit I, offered by
 18 Respondents, pursuant to a stipulation between the parties.

19 PO Modha closed the administrative record and the matter was submitted for decision on
 20 June 3, 2024.

21 FINDINGS OF FACT

22 **Procedural History**

23 1. Central Coast Casino is a four-table cardroom located in Grover Beach. CCCGBI
 24 is the owner licensee of Central Coast Casino. David Stearns is the sole shareholder, officer, and
 25 director of CCCGBI. Theresa Stearns possesses a community property interest in the shares of
 26 CCCGBI.

27 2. On or about March 18, 2022, the Bureau received the following: (1) a Renewal

28 ² These applications include internal attachments that are not separately identified.

1 Application for Owner Category License: Cardroom Business License from CCCGBI; (2) a
2 Renewal Application for Owner Category License: Cardroom Endorsee License from David
3 Stearns; and (3) a Renewal Application for Owner Category License: Cardroom Endorsee
4 License from Theresa Stearns (collectively, 2022 Applications).

5 3. On or about April 18, 2022, the Commission received a Level II Gambling
6 Establishment and Owner Renewal Report (Renewal Report) on Respondents from the Bureau.
7 The Bureau did not make any recommendation regarding Respondents' 2022 Applications in its
8 Renewal Report.

9 4. On or about May 17, 2022, the Commission received an Addendum to the Renewal
10 Report (Addendum) from the Bureau. In its Addendum, the Bureau recommends that the
11 Commission approve Respondents' 2022 Applications with a condition requiring that the Stearns
12 Family Trust UTD February 27, 2014 (Trust) as shareholder of CCCGBI, and David Stearns and
13 Theresa Stearns as trustees and trustors of the Trust, apply for, and thereafter maintain, a
14 Cardroom Business License within 30 days of the Commission's approval of the 2022
15 Applications.

16 5. On or about May 26, 2022, the Commission approved a 180-day extension of the State
17 Gambling License issued to CCCGBI with the condition that the Trust, as shareholder, and David
18 Stearns and Theresa Stearns as trustees and trustors of the Trust, apply for and thereafter maintain
19 a Cardroom Business License.

20 6. On or about October 27, 2022, the Commission received a Second Addendum to the
21 Renewal Report from the Bureau (Second Addendum). In its Second Addendum, the Bureau
22 recommends that the Commission approve Respondents' request to transfer 2,000 shares of
23 CCCGBI from David Stearns and Theresa Stearns, as husband and wife with community
24 property, to David Stearns as the sole shareholder of CCCGBI, with four conditions.

25 7. On or about November 17, 2022, the Commission voted to refer the consideration of
26 Respondents' 2022 Applications to a Gambling Control Act (GCA) evidentiary hearing pursuant
27 to CCR sections 12054(a)(4) and 12060 and issued an interim renewal license to Respondents
28 with the condition that the Trust, as shareholder, and David Stearns and Theresa Stearns as

1 trustees and trustors of the Trust, apply for and thereafter maintain a Cardroom Business License.

2 8. On or about November 18, 2022, the Commission sent a notice of its referral of
3 Respondents' 2022 Applications to a GCA hearing via certified and regular mail to David Stearns
4 and Respondents' Designated Agent Jeff Merriman (DA Merriman).

5 9. On or about January 30, 2023, the Commission received a signed Notice of Defense
6 form from David Stearns on behalf of Respondents requesting an evidentiary hearing on the
7 consideration of Respondents' 2022 Applications.

8 10. On or about February 28, 2024, the Commission sent a Notice of Hearing, via email,
9 to Respondents, DA Merriman, and DAG Yi. The hearing was set for June 3 and 4, 2024, at 9:00
10 a.m. The Prehearing Conference was set for April 22, 2024, at 10:00 a.m.

11 11. On or about April 19, 2024, the Bureau sent a Statement of Particulars to David
12 Stearns, Theresa Stearns, and DA Merriman via email, and to the Commission. In the Statement
13 of Particulars, the Bureau requests that the Commission take action as it may deem appropriate
14 regarding the 2022 Applications submitted by Respondents.

15 12. On or about April 22, 2024, the noticed Prehearing Conference was held before PO
16 Modha. Attorney Connell and David Stearns attended on behalf of Respondents. DAG Yi
17 attended on behalf of the Bureau.

18 13. On or about April 22, 2024, PO Modha sent a Conclusion of Prehearing Conference
19 letter, via email, to Attorney Connell, David Stearns, and DAG Yi.

20 14. The Commission heard this matter via Zoom video conference on June 3, 2024. PO
21 Modha closed the administrative record on June 3, 2024.

22 **Stipulated Facts in the Bureau's Statement of Particulars**

23 15. During the evidentiary hearing, PO Modha recognized a stipulation between the
24 parties to the facts contained in Paragraphs 1-12 of the Bureau's Statement of Particulars. These
25 stipulated facts are as follows:

- 26 (1) Yolanda Morrow (Complainant) brings this Statement of Particulars solely in her
27 official capacity as Director of the California Department of Justice, Bureau of
28 Gambling Control (Bureau).

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(2) On December 1, 2000, the California Gambling Control Commission (Commission) issued Cardroom Owner licenses to Respondents David Stearns (GEOW-002459) and Theresa Stearns (GEOW-002460). On July 1, 2006, the Commission issued a Cardroom Business license to Respondent Central Coast Casino Grover Beach, Inc. (GEGE-001029), doing business as Central Coast Casino (CCCGB, Inc.).

(3) On February 4, 2022, the Bureau received a Renewal Application for Owner Category License for a Cardroom Business License from CCCGB, Inc., its President and Associated Owner Category License Respondent David Stearns, and endorsed owner Respondent Theresa Stearns³ (collectively Respondents). On March 18, 2022, the Bureau received a Renewal Application for Owner Category License for a Cardroom Endorsee License from Respondent Theresa Stearns (collectively Applications).

(4) On or about April 15, 2022, the Bureau sent its Gambling Establishment and Owner Renewal Report Level III for Respondents (2022 Renewal Investigation Report) to the Commission. The Bureau sent an addendum letter to the Commission on May 16, 2022. The letter stated that on April 18, 2022, David Stearns disclosed to the Bureau that the Stearns Family Trust UTD February 27, 2014 (Trust) has held a 100 percent shareholder interest in CCCGB, Inc., since 2014, with David Stearns and Theresa Stearns as trustees and trustors. On May 13, 2022, the Bureau requested that the Trust, David Stearns and Theresa Stearns, and any current beneficiaries submit an Application for Owner Category License by June 12, 2022.

(5) On May 26, 2022, the Commission approved a 180-day extension of the State Gambling License issued to CCCGB, Inc., through November 30, 2022, with the condition that the Trust apply for and thereafter maintain a Cardroom Business

³ This footnote is included in the Bureau’s Statement of Particulars as follows: “Theresa Stearns was identified as the spouse of David Stearns, with only community property interest in CCCGB, Inc.”

1 License as a shareholder along with David Stearns and Theresa Stearns as
2 trustee/trustors of the Trust. On October 27, 2022, the Bureau sent a second
3 addendum letter to the Commission.

4 (6) At its November 17, 2022, meeting, the Commission referred the Applications to
5 an evidentiary hearing to be held pursuant to the Gambling Control Act (Act) and
6 California Code of Regulations, title 4, section 12060. The Commission issued an
7 interim renewal license to CCCGB, Inc., valid through May 31, 2024, with the
8 condition that the Trust, as shareholder, and David and Theresa Stearns as
9 trustee/trustors, apply for and maintain a Cardroom Business License pursuant to
10 Business and Professions Code section 19852, subdivisions (a) and (e).

11 (7) Respondents submitted a timely Notice of Defense, which is dated January 26,
12 2023.

13 (8) On February 28, 2024, Respondents were notified that the evidentiary hearing
14 would be held before the Commission on June 3-4, 2024, to be conducted via
15 Zoom.

16 (9) The Commission has jurisdiction over the licensing of all persons and things
17 having to do with the operation of gambling establishments. (Bus. & Prof. Code,
18 §§ 19811, subd. (b), 19850.) The Commission's responsibilities include assuring
19 that licenses are not issued to unqualified or disqualified persons and that no
20 unqualified or disqualified person is materially involved with a licensed gambling
21 operation. (Bus. & Prof. Code, §19823, subd. (a).) The Commission has all powers
22 necessary and proper to carry out the Act's policies and purposes, including the
23 powers to take actions to ensure that no ineligible, unqualified, disqualified, or
24 unsuitable persons are associated with controlled gambling activities. (Bus. &
25 Prof. Code, § 19824, subs. (b) & (d).)

26 (10) Respondents have the burden of proving that they are qualified to receive a
27 license. (Bus. & Prof. Code, § 19856, subd. (a).)

28 (11) The Bureau's investigation determined that on February 27, 2014, the

1 Stearns Family Trust UTD was created which held all outstanding shares of
 2 Central Coast Casino and therefore recommended that the Commission approve
 3 the Application subject to the following condition: “Within 30 days of the
 4 Commission’s approval, the Stearns Family Trust UTD February 27, 2014, as
 5 shareholder, and David Stearns and Theresa Stearns as trustee/trustors shall apply
 6 for and thereafter maintain a Cardroom Business License pursuant to Business and
 7 Professions Code section 19852, subdivisions (a) and (b).”

8 (12) On August 8, 2022, David Stearns submitted to the Bureau a newly issued
 9 stock certificate reflecting that the 2,000 shares formerly held in the Trust were re-
 10 issued to David and Theresa Stearns, as community property. The new stock
 11 certificate required Theresa Sterns [sic] to submit an Application for an Owner
 12 Category License as a shareholder of CCCGB, Inc.

13 **Ownership and Licensing History of Central Coast Casino**

14 16. During the evidentiary hearing, David Stearns testified⁴ that he opened Central Coast
 15 Casino in 1998.

16 17. On or about December 1, 2000, the Commission issued Cardroom Owner licenses to
 17 David Stearns and Theresa Stearns.

18 18. On or about July 1, 2006, the Commission issued a Cardroom Business License to
 19 CCCGBI dba Central Coast Casino.

20 19. David Stearns testified that from the creation of CCCGBI (2006) to 2014, either David
 21 Stearns individually, or David Stearns and Theresa Stearns collectively, owned 100% of the
 22 outstanding shares of CCCGBI.

23 20. The 2012 and 2014 Renewal Applications for State Gambling License for CCCGBI,
 24 David Stearns, and Theresa Stearns provide that David Stearns is the CEO and 100% owner of
 25 CCCGBI and Theresa Stearns is a community property interest holder.

26 21. On or about February 27, 2014, upon the advice of a trust attorney, David Stearns and
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28 ⁴ Any and all references to “testify” or “testified” refer to testimony taken under oath during the June 3, 2024, evidentiary hearing on this matter.

1 Theresa Stearns created the Trust and transferred 100% of the shares of CCCGBI into that Trust
2 without first seeking approval of that transfer from the Commission. Additionally, David Stearns
3 did not inform the Bureau or Commission of the transfer of shares of CCCGBI into the Trust.
4 David Stearns testified that the creation of the Trust was for estate planning. David Stearns and
5 Theresa Stearns are the trustees, trustors, and current beneficiaries of the Trust.

6 22. On or about May 20, 2014, Theresa Stearns transferred all of her outstanding shares of
7 CCCGBI to David Stearns, which made David Stearns the 100% owner of all of the outstanding
8 shares of CCCGBI.

9 23. The 2016 Renewal Applications for State Gambling License for CCCGBI, David
10 Stearns, and Theresa Stearns provide that David Stearns is the President and 100% owner of
11 CCCGBI and Theresa Stearns is a community property interest holder.

12 24. Question (1) on Section 5A of the 2016 Renewal Application for State Gambling
13 License for CCCGBI asks: “Have there been any changes affecting ownership or controlling
14 interest in this gambling establishment since last filing a State Gambling License application?”
15 David Stearns checked the box marked “no” to Question (1) on Section 5A. David Stearns should
16 have checked the box marked “yes” because he had transferred 100% of the outstanding shares of
17 CCCGBI into the Trust.

18 25. Frances Asuncion (Asuncion) is a Senior Manager with the Bureau. Asuncion testified
19 that her primary job duty is to review and approve background investigations for cardroom
20 owners and employees. Asuncion testified that she is familiar with the investigation of
21 Respondents, including the Bureau’s Renewal Report, Addendum, and Second Addendum.

22 26. Asuncion testified that Respondents did not provide notification of the existence of the
23 Trust in prior renewal applications despite that the Renewal Application for State Gambling
24 License asks if there have been any changes in ownership during the renewal application period.
25 Asuncion testified that the first time the Bureau learned about the Trust holding the shares of
26 CCCGBI was on April 18, 2022.

27 27. Asuncion testified that David Stearns was responsive to Bureau inquiries and
28 cooperated with the Bureau throughout this renewal process. Asuncion testified that David

1 Stearns did not act in bad faith or have an intent to deceive the Bureau or Commission regarding
2 the ownership of Central Coast Casino. However, Asuncion also testified that the owner of a
3 cardroom should know that certain transfers of ownership require Commission approval.

4 28. Respondents' 2022 Applications provide that David Stearns is the President and 100%
5 owner of CCCGBI and Theresa Stearns is a community property interest holder.

6 29. During its review of Respondents' 2022 Applications, on April 13, 2022, Bureau staff
7 emailed David Stearns and DA Merriman and asked whether any ownership interest in Central
8 Coast Casino is held by the Trust.

9 30. On April 18, 2022, David Stearns disclosed to the Bureau that the Trust has held a
10 100% shareholder interest in CCCGBI since 2014. David Stearns stated that he and Theresa
11 Stearns are the trustees and trustors of the Trust. David Stearns also listed various beneficiaries of
12 the Trust, but did not include David Stearns or Theresa Stearns in the list of beneficiaries.

13 31. On April 19, 2022, Bureau staff emailed David Stearns stating that the Bureau
14 previously noted that CCCGBI holds the ownership interest of Central Coast Casino and that
15 David Stearns and Theresa Stearns hold a 100% shareholder interest in CCCGBI. Bureau staff
16 asked David Stearns how the interest in Central Coast Casino is held in the Trust.

17 32. On April 20, 2022, Bureau staff emailed David Stearns and DA Merriman and asked
18 for the following information: (1) number of shares of common stock in CCCGBI; (2) who holds
19 the shares of CCCGBI; and (3) current beneficiaries of the Trust receiving distributions. Bureau
20 staff also asked for copies of the stock certificates of CCCGBI.

21 33. On April 21, 2022, David Stearns responded to the Bureau that there are 2,000
22 outstanding shares of common stock in CCCGBI, that the Trust holds all of the shares, and that
23 there are no current beneficiaries of the Trust receiving distributions. David Stearns provided the
24 Bureau with the stock certificate issued to the Trust, dated February 27, 2014, which showed all
25 2,000 shares of common stock issued to CCCGBI. David Stearns also stated that 1,000 shares of
26 CCCGBI were issued to David Stearns and 1,000 shares of CCCGBI were issued to Theresa
27 Stearns until she surrendered them in 2014.

28 34. On May 13, 2022, Bureau staff informed David Stearns that the Trust, David Stearns

1 and Theresa Stearns as trustees and trustors of the Trust, and any current beneficiaries are
2 required to submit applications for licensure and requested that those applications for Owner
3 Category Licenses be submitted by June 12, 2022.⁵

4 35. On July 28, 2022, Bureau staff sent a letter to DA Merriman stating that Respondents
5 had not submitted the required applications for Owner Category Licenses by June 12, 2022, and
6 that the Bureau must receive the requested information by August 4, 2022.

7 36. On or about August 2, 2022, David Stearns asked Bureau staff if the Trust would need
8 to submit an initial application for licensure if it no longer held any shares of CCCGBI.

9 37. On August 7, 2022, David Stearns sent an email to the Bureau stating that he had
10 spoken with his trust attorney and could get the shares of CCCGBI out of the Trust which would
11 result in no relationship existing between CCCGBI and the Trust. David Stearns also stated that
12 he would like to take the stock out of the Trust if it will clear up the issue and that he wants to get
13 in compliance as soon as possible.

14 38. On August 8, 2022, Bureau staff sent an email to David Stearns stating that “if he
15 would like to move the shares from the trust to yourself and your spouse that would be reflective
16 as to how you are currently licensed.” Bureau staff also requested documentation so it could
17 verify that the Trust no longer holds any shares of CCCGBI.

18 39. On August 8, 2022, David Stearns transferred the 2,000 shares of CCCGBI out of the
19 Trust and re-issued the shares to David Stearns and Theresa Stearns, husband and wife as
20 community property. David Stearns also submitted to the Bureau a newly issued stock certificate
21 reflecting that the 2,000 shares of CCCGBI formerly held in the Trust were re-issued to David
22 Stearns and Theresa Stearns, husband and wife as community property.

23 40. On August 19, 2022, Bureau staff sent an email to David Stearns requesting the Trust
24 documents so that it could verify that the Trust no longer holds any interest in Central Coast
25 Casino.

26 41. On August 25, 2022, David Stearns provided the Bureau with the Trust documents,
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28 ⁵ Business and Professions Code section 19852(e) requires only the trustee and, “in the discretion of the Commission any beneficiary and the trustor of the trust” to individually hold a state gambling license.

1 which do not reflect that the shares of CCCGBI are in the Trust.

2 42. Following the review of the Trust documents, the Bureau determined that the stock
3 certificates of CCCGBI listed both David Stearns and Theresa Stearns, husband and wife, as
4 owners of CCCGBI. Therefore, the Bureau determined that Theresa Stearns was required to
5 submit an Application for Owner Category License as a shareholder of CCCGBI.

6 43. On October 11, 2022, Bureau Staff informed David Stearns that the stock certificates
7 received by the Bureau indicate that Theresa Stearns is an interest holder and inquired whether
8 she will be coming forward for licensure as a community property interest holder or shareholder
9 of CCCGBI.

10 44. On October 12, 2022, David Stearns informed the Bureau that Theresa Stearns does
11 not hold any stock or interest in CCCGBI other than a community property interest.

12 45. On October 13, 2022, Bureau staff requested that David Stearns send amended stock
13 certificates that include only David Stearns as an interest holder in CCCGBI.

14 46. On October 18, 2022, David Stearns and Theresa Stearns transferred the 2,000 shares
15 of CCCGBI from David Stearns and Theresa Stearns, husband and wife as community property,
16 to David Stearns. David Stearns also sent the Bureau newly issued stock certificates of CCCGBI
17 indicating that David Stearns holds all 2,000 shares of CCCGBI.

18 **The Bureau's Area of Concern Regarding Respondents' 2022 Applications**

19 47. In its Second Addendum, the Bureau described as an area of concern the following:
20 (1) the February 27, 2014 transfer of the shares of CCCGBI to the Trust; (2) the August 8, 2022
21 transfer of the shares of CCCGBI out of the Trust to David Stearns and Theresa Stearns, as
22 husband and wife; and (3) the October 18, 2022 transfer of shares of CCCGBI from David
23 Stearns and Theresa Stearns to David Stearns as the sole shareholder, were all made without
24 Commission approval in violation of Business and Professions Code section 19904 (Section
25 19904).

26 **Respondents Violated Section 19904**

27 48. Section 19904 provides:

28 The purported sale, assignment, transfer, pledge, or other disposition of any

1 security issued by a corporation, membership interest of a limited liability
2 company, or ownership interest of a partnership or sole proprietor that holds a
3 gambling license, or the grant of an option to purchase that interest or security, is
4 void unless approved in advance by the commission.

5 49. CCCGBI is a corporation that holds a gambling license as the owner licensee of
6 Central Coast Casino. Therefore, the purported sale, assignment, transfer, pledge or other
7 disposition of shares of CCCGBI is void unless approved in advance by the Commission pursuant
8 to Section 19904.

9 50. On February 27, 2014, Respondents attempted to transfer 100% of the outstanding
10 shares of CCCGBI into the Trust without first obtaining Commission approval. Therefore, this
11 purported transfer of shares of CCCGBI into the Trust is void pursuant to Section 19904.

12 51. On or about May 20, 2014, Theresa Stearns attempted to transfer all of her outstanding
13 shares of CCCGBI to David Stearns, making David Stearns the sole shareholder of CCCGBI,
14 without first obtaining Commission approval. This purported transfer of shares of CCCGBI from
15 Theresa Stearns to David Stearns is void pursuant to Section 19904.

16 52. On August 8, 2022, Respondents attempted to transfer the outstanding shares of
17 CCCGBI from the Trust to David Stearns and Theresa Stearns as husband and wife without first
18 obtaining Commission approval. This purported transfer of shares of CCCGBI out of the Trust is
19 void pursuant to Section 19904.

20 53. On October 18, 2022, Respondents attempted to transfer the outstanding shares of
21 CCCGBI from David Stearns and Theresa Stearns, as husband and wife, to David Stearns as the
22 sole shareholder without first obtaining Commission approval. This purported transfer of shares
23 of CCCGBI is void pursuant to Section 19904.

24 **Status of the Outstanding Shares of CCCGBI**

25 54. As noted previously, David Stearns testified that from the creation of CCCGBI in
26 2006, either David Stearns individually, or David Stearns and Theresa Stearns collectively,
27 owned 100% of the outstanding shares of CCCGBI. The administrative record does not clarify
28 whether the shares of CCCGBI were issued to David Stearns individually, or to David Stearns

1 and Theresa Stearns collectively. Respondents' renewal applications in 2012 and 2014 provide
2 that David Stearns is the sole shareholder of CCCGBI and that Theresa Stearns is a community
3 property interest holder. However, there were at least two subsequent attempts by David Stearns
4 and Theresa Stearns to transfer shares of CCCGBI from Theresa Stearns to David Stearns,
5 including on May 20, 2014, and October 18, 2022. These attempted transfers suggest that Theresa
6 Stearns individually held shares of CCCGBI during those times.

7 55. Given the uncertainty regarding the initial issuance of the shares of CCCGBI, the fact
8 that all subsequent purported transfers of the shares of CCCGBI were void pursuant to Section
9 19904, the probable intent of Respondents that can be gleaned from their attempted transfers of
10 shares of CCCGBI from Theresa Stearns to David Stearns on May 20, 2014 and October 18,
11 2022, and that Respondents' 2012, 2014, and 2022 Applications are consistent in listing David
12 Stearns as sole shareholder of CCCGBI and Theresa Stearns as community property interest
13 holder, the Commission has determined that the current status of the ownership of CCCGBI is
14 David Stearns as sole shareholder and Theresa Stearns as community property interest holder, and
15 proceeds with consideration of Respondents' 2022 Applications on that basis.

16 Assessment of Respondents' Suitability for Licensure

17 56. For the reasons provided below, the Commission finds that CCCGBI, David Stearns,
18 and Theresa Stearns have met their respective burdens of proving their suitability for licensure.
19 Therefore, Respondents' 2022 Applications are approved.

20 **David Stearns's Suitability for Licensure**

21 57. It is undisputed that David Stearns did not obtain prior approval of the Commission
22 prior to several purported transfers of shares of CCCGBI in violation of Section 19904.

23 58. Section 19904 requires a licensee to provide advanced notice to the Commission of
24 transactions involving the purported transfer of an ownership interest in an entity that holds a
25 gambling license. With advanced notice, the Commission is able to fulfill its duty of ensuring that
26 the proposed recipient of that ownership interest is qualified and suitable for licensure. A failure
27 to provide advanced notice to the Commission may result in the operation of a cardroom by
28 individuals who are not licensed, or are unqualified, disqualified, or unsuitable for licensure.

1 Thus, David Stearns's violations of Section 19904 by transferring shares of CCCGBI (a
2 corporation that holds a gambling license) without Commission approval could have been
3 egregious if unlicensed, unqualified, disqualified, and/or unsuitable individuals could exercise
4 control or influence over, or receive income from, the gambling operation.

5 59. Given the importance of complying with the GCA, including Section 19904, David
6 Stearns's multiple violations of Section 19904 may have warranted discipline and adversely
7 impact his qualifications for continued licensure.

8 60. In addition to failing to obtain Commission approval, David Stearns failed to provide
9 notice of his transfer of shares of CCCGBI into the Trust on his renewal applications. David
10 Stearns testified that he did not think that the transfer of shares into the Trust resulted in a change
11 in ownership of CCCGBI because he was the sole shareholder and President of CCCGBI and the
12 trustee, trustor, and current beneficiary of the Trust. David Stearns's testimony that the failure to
13 provide notice of his transfer of shares was a misunderstanding and not an intentional violation
14 was credible.

15 61. Given that the purported transfer of shares of CCCGBI into the Trust was void
16 because it was not approved in advance by the Commission pursuant to Section 19904, the Trust
17 never lawfully held the shares of CCCGBI. However, had David Stearns's transfer of shares of
18 CCCGBI into the Trust been effective, David Stearns's failure to properly fill out his renewal
19 applications and provide notice to the Commission of the change in ownership structure of
20 CCCGBI could have resulted in eight years that David Stearns and Theresa Stearns were not
21 properly licensed as trustees of the Trust and prevented the Commission from assessing whether
22 the trustors and/or beneficiaries of the Trust needed to be licensed.

23 62. David Stearns testified that no one told him that he could not transfer the shares of
24 CCCGBI into the Trust without Commission approval. However, the fact that certain transactions
25 require Commission approval is expressly indicated in Section 19904. As the sole shareholder,
26 officer, and director of CCCGBI, David Stearns has the ultimate responsibility for complying
27 with the GCA. The Commission agrees with Asuncion's testimony that the owner of a cardroom
28 should know that certain transfers of ownership require Commission approval.

1 63. While David Stearns's violations of Section 19904 negatively impact his
2 qualifications for continued licensure, there are several mitigating factors that collectively weigh
3 in favor of finding David Stearns qualified for continued licensure.

4 64. First, David Stearns's testimony that he created the Trust for estate planning purposes
5 is credible. As David Stearns and Theresa Stearns were already licensed by the Commission, and
6 were the sole trustees, trustors, and current beneficiaries of the Trust, there does not appear to be
7 any intent to provide unlicensed beneficiaries with the proceeds from gambling operations. The
8 Commission agrees with Asuncion's testimony that David Stearns did not act in bad faith or have
9 an intent to deceive the Bureau or Commission regarding the ownership of Central Coast Casino.

10 65. Second, David Stearns's violations of Section 19904 appear unintentional. David
11 Stearns relied upon the advice of a trust attorney who appears to have been unfamiliar with the
12 requirements of the GCA. Once David Stearns learned that transferring the shares of CCCGBI
13 into the Trust was a violation of the Act, David Stearns attempted to correct this error by moving
14 the shares back out of the Trust. While this purported transfer also violated the Act (and could not
15 have been achieved anyway since the shares of CCCGBI were never lawfully in the Trust), David
16 Stearns's intent was to come back into compliance with the GCA. The Commission finds David
17 Stearns's testimony that he never had any intent to deceive or hide anything from the Bureau or
18 Commission credible.

19 66. Third, David Stearns relied upon his trust attorney, designated agents, and various
20 consultants for guidance in creating the Trust and complying with the GCA. This does not shift
21 the ultimate responsibility for complying with the GCA, which remains solely the responsibility
22 of David Stearns as the sole shareholder, officer, and director of CCCGBI. However, these extra
23 efforts of seeking professional guidance lend support to David Stearns's testimony that his failure
24 to comply with the GCA was not intentional.

25 67. Fourth, upon receiving notice that the purported transfer of the shares of CCCGBI into
26 the Trust violated Section 19904, David Stearns actively worked with the Bureau to attempt to
27 remedy the violation, which also demonstrates his interest in complying with the GCA.

28 68. Fifth, the Commission finds Asuncion's testimony credible and persuasive that David

1 Stearns was responsive to Bureau inquiries and cooperated with the Bureau throughout this
2 renewal process.

3 69. Sixth, there was no other derogatory information regarding the licensure of David
4 Stearns or the operation of Central Coast Casino. David Stearns has been working in the
5 controlled gambling industry since 1988 as a dealer, floorman, shift manager, and as the owner
6 and manager of Central Coast Casino for 26 years. David Stearns testified that during those 26
7 years, there was just one previous occasion where he paid a fine resulting from a violation of the
8 GCA.

9 70. Seventh, as David Stearns's violations of Section 19904 were unintentional, and given
10 his acknowledgement and acceptance of responsibility for those violations, in addition to having
11 received a better understanding of the requirements of Section 19904, it is unlikely that these
12 types of violations will occur in the future.

13 71. Based on the foregoing, David Stearns has met his burden of proving that he is a
14 person of good character, honesty, and integrity.

15 72. David Stearns has also met his burden of proving that he is a person whose prior
16 activities, criminal record, reputation, habits, and associations do not pose a threat to the public
17 interest of this state, or to the effective regulation and control of controlled gambling, or create or
18 enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the
19 conduct of controlled gambling on in the carrying on of the business and financial arrangements
20 incidental thereto.

21 73. David Stearns has also met his burden of proving that he is in all other respects
22 qualified to be licensed.

23 **CCCGBI's Suitability for Licensure**

24 74. CCCGBI is a corporation and the owner licensee of Central Coast Casino. CCCGBI
25 operates through its sole shareholder, officer, and director, David Stearns. As provided above, the
26 Commission finds that David Stearns has met his burden of proving his suitability for licensure.
27 The Bureau's renewal investigation did not reveal any derogatory information that would
28 otherwise negatively impact CCCGBI's suitability for licensure. Further, there was no evidence

1 presented during the hearing of any derogatory information that would negatively impact
2 CCCGBI's suitability for licensure.

3 75. Based on the foregoing, CCCGBI has met its burden of proving that it is a person of
4 good character, honesty, and integrity.

5 76. CCCGBI has also met its burden of proving that it is a person whose prior activities,
6 criminal record, reputation, habits, and associations do not pose a threat to the public interest of
7 this state, or to the effective regulation and control of controlled gambling, or create or enhance
8 the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of
9 controlled gambling on in the carrying on of the business and financial arrangements incidental
10 thereto.

11 77. CCCGBI has also met its burden of proving that it is in all other respects qualified to
12 be licensed.

13 **Theresa Stearns's Suitability for Licensure**

14 78. Theresa Stearns is a community property interest holder in the outstanding shares of
15 CCCGBI. Theresa Stearns does not have an officer or director role in the operations of Central
16 Coast Casino. The Bureau's renewal investigation did not reveal any derogatory information that
17 would negatively impact Theresa Stearns's suitability for licensure. Additionally, there was no
18 evidence presented during the hearing of any derogatory information that would negatively
19 impact Theresa Stearns's suitability for licensure.

20 79. Based on the foregoing, Theresa Stearns has met her burden of demonstrating that she
21 is a person of good character, honesty, and integrity.

22 80. Theresa Stearns has also met her burden of demonstrating that she is a person whose
23 prior activities, criminal record, reputation, habits, and associations do not pose a threat to the
24 public interest of this state, or to the effective regulation and control of controlled gambling, or
25 create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in
26 the conduct of controlled gambling on in the carrying on of the business and financial
27 arrangements incidental thereto.

28 81. Theresa Stearns has also met her burden of demonstrating that she is in all

1 other respects qualified to be licensed.

2 82. All documentary and testimonial evidence submitted by the parties that is not
3 specifically addressed in this Decision and Order was considered but not used by the Commission
4 in making its determination on Respondents' 2022 Applications.

5 LEGAL CONCLUSIONS

6 **Applicable Statutes and Regulations**

7 83. Division 1.5 of the Business and Professions Code, the provisions of which govern the
8 denial of licenses on various grounds, does not apply to licensure decisions made by the
9 Commission under the GCA. Business and Professions Code section 476(a).

10 84. The GCA is an exercise of the police power of the state for the protection of the
11 health, safety, and welfare of the people of the State of California, and shall be liberally construed
12 to effectuate those purposes. Business and Professions Code section 19971.

13 85. Public trust that permissible gambling will not endanger public health, safety, or
14 welfare requires that comprehensive measures be enacted to ensure that gambling is free from
15 criminal and corruptive elements, that it is conducted honestly and competitively, and that it is
16 conducted in suitable locations. Business and Professions Code section 19801(g).

17 86. Public trust and confidence can only be maintained by strict and comprehensive
18 regulation of all persons, locations, practices, associations, and activities related to the operation
19 of lawful gambling establishments. Business and Professions Code section 19801(h).

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

24 88. An "unqualified person" means a person who is found to be unqualified pursuant to
25 the criteria set forth in Section 19857, and "disqualified person" means a person who is found to
26 be disqualified pursuant to the criteria set forth in Section 19859. Business and Professions Code
27 section 19823(b).

28 89. The Commission shall have all powers necessary and proper to enable it fully and

1 effectually to carry out the policies and purposes of this chapter. Business and Professions Code
2 section 19824.

3 90. The Commission has the power to deny any application for a license, permit, or
4 approval for any cause deemed reasonable by the Commission. Business and Professions Code
5 section 19824(b).

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

9 92. The burden of proving his or her qualifications to receive any license from the
10 Commission is on the applicant. Business and Professions Code section 19856(a); CCR section
11 12060(k).

12 93. An application to receive a license constitutes a request for a determination of the
13 applicant's general character, integrity, and ability to participate in, engage in, or be associated
14 with, controlled gambling. Business and Professions Code section 19856(b).

15 94. In reviewing an application for any license, the commission shall consider whether
16 issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the
17 license will undermine public trust that the gambling operations with respect to which the license
18 would be issued are free from criminal and dishonest elements and would be conducted honestly.
19 Business and Professions Code section 19856(c).

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

23 96. No gambling license shall be issued unless, based on all of the information and
24 documents submitted, the Commission is satisfied that the applicant is a person whose prior
25 activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the
26 public interest of this state, or to the effective regulation and control of controlled gambling, or
27 create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in
28 the conduct of controlled gambling or in the carrying on of the business and financial

1 arrangements incidental thereto. Business and Professions Code section 19857(b).

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

6 98. The hearing need not be conducted according to technical rules relating to evidence
7 and witnesses. Any relevant evidence may be considered, and is sufficient in itself to support a
8 finding, if it is the sort of evidence upon which reasonable persons are accustomed to rely upon in
9 the conduct of serious affairs, regardless of the existence of any common law or statutory rule that
10 might make improper the admission of the evidence over objection in a civil action. Business and
11 Professions Code section 19871(a)(4); CCR section 12060(h)(2).

12 **Approval of David Stearns’s 2022 Application**

13 99. David Stearns met his burden of proving that he is a person of good character,
14 honesty, and integrity. Therefore, David Stearns is qualified for licensure pursuant to Business
15 and Professions Code section 19857(a).

16 100. David Stearns met his burden of proving that his 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.
21 Therefore, David Stearns is qualified for licensure pursuant to Business and Professions Code
22 section 19857(b).

23 101. David Stearns met his burden of proving that he is in all other respects qualified to
24 be licensed. Therefore, David Stearns is qualified for licensure pursuant to Business and
25 Professions Code section 19857(c).

26 **Approval of CCCGBI’s 2022 Application**

27 102. CCCGBI met its burden of proving that it is a person of good character, honesty,
28 and integrity. Therefore, CCCGBI is qualified for licensure pursuant to Business and Professions

1 Code section 19857(a).

2 103. CCCGBI met its burden of proving that its prior activities, criminal record, if any,
3 reputation, habits, and associations do not pose a threat to the public interest of this state, or to the
4 effective regulation and control of controlled gambling, or create or enhance the dangers of
5 unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled
6 gambling or in the carrying on of the business and financial arrangements incidental thereto.
7 Therefore, CCCGBI is qualified for licensure pursuant to Business and Professions Code section
8 19857(b).

9 104. CCCGBI met its burden of proving that it is in all other respects qualified to be
10 licensed. Therefore, CCCGBI is qualified for licensure pursuant to Business and Professions
11 Code section 19857(c).

12 **Approval of Theresa Stearns’s 2022 Application**

13 105. Theresa Stearns met her burden of proving that she is a person of good character,
14 honesty, and integrity. Therefore, Theresa Stearns is qualified for licensure pursuant to Business
15 and Professions Code section 19857(a).

16 106. Theresa Stearns met her burden of proving that her prior activities, criminal
17 record, if any, reputation, habits, and associations do not pose a threat to the public interest of this
18 state, or to the effective regulation and control of controlled gambling, or create or enhance the
19 dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of
20 controlled gambling or in the carrying on of the business and financial arrangements incidental
21 thereto. Therefore, Theresa Stearns is qualified for licensure pursuant to Business and Professions
22 Code section 19857(b).

23 107. Theresa Stearns met her burden of proving that she is in all other respects
24 qualified to be licensed. Therefore, Theresa Stearns is qualified for licensure pursuant to Business
25 and Professions Code section 19857(c).

26 **ORDER**

27 1. Central Coast Casino Grover Beach, Inc.’s Renewal Application for Owner
28 Category License: Cardroom Business License is APPROVED.

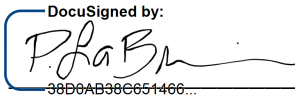
1 2. David Stearns’s Renewal Application for Owner Category License: Cardroom
2 Endorsee License as President and Sole Shareholder of Central Coast Casino Grover Beach, Inc.
3 is APPROVED.

4 3. Theresa Stearns’s Renewal Application for Owner Category License: Cardroom
5 Endorsee License as a Community Property Interest Holder is APPROVED.

6 4. No costs are awarded.

7 5. Each side to pay its own attorneys’ fees.

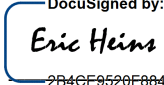
8 This Order is effective on August 8, 2024.

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10 Dated: 8/8/2024 Signature: 
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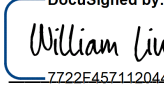
Paula LaBrie, Chair

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13 Dated: 8/8/2024 Signature: 
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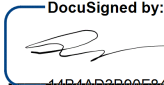
Stacey Luna Baxter, Commissioner

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Eric Heins, Commissioner

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William Liu, Commissioner

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Edward Yee, Commissioner

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