

**DECISION OF THE MARYLAND LOTTERY AND
GAMING CONTROL COMMISSION**

**Application for a Mobile Sports Wagering License
Crab Sports Inc.
License Applicant No. 2022-SW-39**

**Qualification Hearing before
the Maryland Lottery and Gaming Control Commission
January 26, 2023**

On January 26, 2023, the Maryland Lottery and Gaming Control Commission (“Commission”) held a meeting during which it conducted a hearing to determine whether Crab Sports Inc. (“Crab Sports” or “Applicant”) is qualified for a mobile sports wagering license under Maryland’s Sports Wagering Law.

FINDINGS OF FACT

Background Process

1. Sports wagering in Maryland is governed by the Sports Wagering Law, found in State Government Article (“SG”), Title 9, Subtitle 1E, Annotated Code of Maryland, and the regulations of the Commission, found in the Code of Maryland Regulations (“COMAR”) 36.10. The Sports Wagering Law also incorporates the Gaming Law, which governs casino operations in Maryland, found in SG, Title 9, Subtitle 1A, and COMAR 36.03.

2. The Commission is authorized to issue licenses necessary for sports wagering in the State, one of which is a mobile sports wagering license. Unless a person holds a valid mobile sports wagering license issued by the Commission, the person may not conduct, offer, or operate mobile sports wagering in the State.

3. An applicant for a sports wagering-related license must submit an application to the Commission. Before it can be issued a mobile sports wagering license, an applicant must meet all applicable qualification requirements in the Sports Wagering Law, and prove to the Commission,

by clear and convincing evidence, that it is qualified under SG § 9-1E-07(e) and COMAR 36.10.03.02, and COMAR 36.10.05, and not disqualified under SG § 9-1E-07(g)(1). The Commission is required to deny the license application of an applicant that does not meet qualification requirements.

4. An applicant must submit to the Commission all information that is necessary for the Commission to determine its qualifications, and those of its principals, its principal entities, and any other necessary qualifiers.

5. Crab Sports Inc. submitted a Mobile Sports Wagering License Application to the Commission and the Maryland Lottery and Gaming Control Agency (“MLGCA”) conducted an investigation to determine whether Crab Sports Inc. is qualified for a Mobile Sports Wagering License.

Qualification Hearing – January 26, 2023

6. Staff of the MLGCA’s Licensing Division provided the Applicant with written notice of the hearing. Derek Baker was present on behalf of the Applicant. In advance of the meeting, John J. Mooney, MLGCA’s Managing Director of Regulatory Oversight, provided the Commission the confidential full investigative report on Crab Sports Inc. Mr. Mooney made publicly available Staff’s executive summary of the background investigation, and Staff’s recommendations.

Applicant’s Background

7. Crab Sports Inc. was incorporated in Delaware on October 22, 2021 and was formed for the purpose of conducting mobile and online sports wagering.

8. Crab Sports’ leadership team has over 20 years of combined experience in the competitive European gaming market.

9. Crab Sports entered into a services agreement with iGaming Cloud, Inc., trading as Gaming Innovation Group to operate its mobile and online sports wagering platform and will provide its casino management system and Sportnco sportsbook platform to Crab Sports.

Ownership of Applicant

10. Crab Sports is privately owned and currently has 1.25 million shares of common stock authorized with 837,500 shares outstanding, as well as 312,500 shares of preferred stock issued and outstanding. The following individuals and entities have a 5% or greater ownership interest in Crab Sports:

- Derek Baker - 306,250 shares of common stock (24.5%);
- Adele Sinclair - 306,250 shares of common stock (24.5%);
- Pink Palms Limited - 225,000 shares of common stock (18.0%); and
- Complete and Equal Understanding, LLC - 78,750 shares of preferred stock (6.3%).

11. Pink Palms Limited was established solely for the purpose of holding the investment in Crab Sports and is owned by Alice-Emma Starr and Benjamin Starr.

12. Complete and Equal Understanding, LLC was also established for the purpose of holding the investment in Crab Sports and is owned by Arthur Robinson who holds a principal employee license issued by the Commission.

Licensing Inquiry

13. Crab Sports Inc. has submitted a Mobile Sports Wagering License Application to the Commission.

14. Ms. Alice-Emma Starr, and Mr. Benjamin Starr have each submitted a Temporary Principal Employee License Application to the Commission which was approved on November 10, 2022 and December 20, 2022, respectively. Adele Anne Caroline Sinclair and Derek James Baker have each submitted a Principal Employee License Application, which is pending.

Discussion of Financial Performance

15. As a recently formed entity, Crab Sports has had very limited financial activity and has filed no income tax returns to date. Crab Sports has raised \$2.5 million through the sale of preferred stock and from these funds, the Applicant has paid licensing fees and used them towards initial startup costs. Currently, Crab Sports has a balance of \$1.8 million in its interest-bearing checking account which the Applicant will use to continue to finance startup costs as well as provide betting reserves.

16. There are no issues involving the known financial backers of the Applicant, and Crab Sports has received interest from other investors which would enable it to raise additional capital in the future should the need arise.

17. There are no financial concerns with the issuance of a Mobile Sports Wagering License to Crab Sports Inc. or with Pink Palms Limited and Complete and Equal Understanding, LLC as Sports Wagering Principal Entities.

Results of Background Investigation

18. MLGCA conducted a complete and thorough background investigation as authorized under the Sports Wagering Law by analyzing corporate records and documents; scrutinizing the business operations, practices, and transactions of Crab Sports Inc.; and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability.

19. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in the MLGCA's report. The results of the investigation for the specific qualification criteria enunciated in SG§ 9-1E-07(e) and COMAR 36.10.03.02 and 36.10.05 and that Crab Sports Inc. is qualified under SG § 9-1E-07(e), and not disqualified under SG § 9-1E-07(g)(1), are summarized:

a) Financial Stability, Integrity and Responsibility

As a result of the lack of an operating history, there is a level of unpredictability concerning the Applicant's future prospects. However, Crab Sports appears to have sufficient cash reserves to fund its initial operations and maintain betting reserves. The Applicant satisfies the standards for financial stability, integrity and responsibility. MLGCA also concludes that the individual qualifiers satisfy the Gaming Law's qualification criteria in connection with the Mobile Sports Wagering License Application.

b) Integrity of financial backers, investors, mortgages, bondholders, and other holders of indebtedness

Based on MLGCA review, there are no material issues involving the known financial backers of the Applicant.

c) Good character, honesty, and integrity

MLGCA found that the Applicant possesses the requisite good character, honesty and integrity. No significant issues surfaced concerning the qualifications of the Applicant or its individual qualifiers.

d) Sufficient business ability and experience

Crab Sports was formed for the purpose of conducting mobile and online sports wagering. The Applicant's leadership team has over 20 years of combined experience in the competitive European gaming market. The Applicant clearly possesses the requisite business ability and experience.

e) Potential disqualifying factors

The Applicant is not disqualified from being issued a Mobile Sports Wagering License under SG § 9-1E-07(g)(1) based on any of the criteria listed in COMAR 36.10.03.02.C. The Applicant is qualified to be issued a license by the Commission.

Applicant and Principal Entities

20. The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1E-07(e) and COMAR 36.10.03.02 and 36.10.05, and are not disqualified under COMAR 36.10.03.02.C and SG § 9-1E-07(g)(1).

Mobile Sports Wagering License Application

21. The Applicant submitted a completed Mobile Sports Wagering License Application; an affidavit attesting to the minority and women-owned interests of the applicant; all required fees; and proof of adequate bond.

22. MLGCA Staff is not aware of information that would indicate Crab Sports Inc. fails to meet the Commission's qualification requirements.

23. MLGCA Staff recommends that the Commission determine the Applicant has established that it is qualified, by clear and convincing evidence, for a Mobile Sports Wagering License.

CONCLUSIONS OF LAW

1. The Applicant has established by clear and convincing evidence that it is qualified for, and is not disqualified from, a Mobile Sports Wagering License.

2. The Applicant remains under an ongoing obligation to comply with all qualification requirements and to notify the Commission if any of the information submitted to the Commission or MLGCA changes.

3. If MLGCA Staff determines that the Applicant or licensee, if licensed, does not meet a Commission standard, the Commission may take enforcement action, up to and including revocation of the license.

4. The Secretary of the Commission will transmit this decision statement to the Sports Wagering Application Review Commission.

REVIEW RIGHTS

A party aggrieved by this final administrative Decision may file a petition for judicial review with the circuit court for the county where any party resides or has a principal place of business within thirty days of the date of this Decision. SG § 10-222; Maryland Rules 7-201 – 7-211.



E. Randolph Marriner, Chair

1-26-23

Date