
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230



**In Re the Application of
Crab Sports Inc.**

**MOBILE SPORTS WAGERING
LICENSE APPLICANT**

License Applicant Number 2022-SW-39

Report Date: January 11, 2023

“COMMISSION PRESENTATION”

INTRODUCTION

Role of the Maryland Lottery and Gaming Control Commission (“Commission”)

The Commission is required to determine whether sports wagering applicants have proven, by clear and convincing evidence, that they meet the qualifications for licensure under the Sports Wagering Law. Requirements for qualification include: (1) applicant’s financial stability and integrity; (2) integrity of any financial backers related to the application; (3) applicant’s good character, honesty, and integrity; (4) applicant’s business ability; and (5) whether there are any mandatory disqualifiers that prevent the applicant from proving its qualifications by clear and convincing evidence. The Commission cannot issue a license unless it determines that the applicant is qualified.

The Licensing Division of the Maryland Lottery and Gaming Control Agency (“Agency”) conducts the required background investigation of an applicant’s qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicant described in this Report has proven that it is qualified.

The Executive Summary that will be summarized by Staff at the Commission meeting is a public document, which will be provided in the Commission packets, and is also available on the Agency website with other Commission meeting documents. If the applicant is found qualified, the decision statement of the Commission will be forwarded to the Sports Wagering Application Review Commission for it to determine whether to award a license.

Process

As a prerequisite to being eligible for a Mobile Sports Wagering License, an applicant must submit a Mobile Sports Wagering License Application to the Commission. The applicant must prove to the Commission, by clear and convincing evidence, that it meets the qualification criteria set forth in the Annotated Code of Maryland, State Gov't Article ("SG"), § 9-1E and the Commission's sports wagering regulations in Code of Maryland Regulations ("COMAR") 36.10 (collectively, "the Sports Wagering Law"). The Sports Wagering Law also includes and incorporates applicable licensing requirements in SG § 9-1A, and COMAR 36.03 (collectively, "the Gaming Law"), which establishes requirements for all casino-related licenses.

Specifically, the applicant must prove that it is qualified under SG § 9-1E-07(e) and COMAR 36.10.03.02 and 36.10.05 and not disqualified under SG § 9-1E-07(g)(1). An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

The Maryland Lottery and Gaming Control Agency ("MLGCA," "we" or "our"), conducted a suitability background license investigation of Crab Sports Inc. ("Crab Sports" or "Applicant") in connection with its application for a Mobile Sports Wagering License.

You (the Commissioners) have been provided with the complete investigative report on the applicant. You have also received a copy of the public report that was in your packets and made available to everyone on the agency website. I will summarize the reports that have been given to you.

The Applicant

Crab Sports Inc. was incorporated in Delaware on October 22, 2021 and was formed for the purpose of conducting mobile and online sports wagering. The Applicant’s principal address is located at 221 North Broad Street, Middletown, Delaware. Crab Sports’ leadership team has over 20 years of combined experience in the competitive European gaming market.

INVESTIGATION INTO APPLICANT

Background

On August 9, 2022, Crab Sports entered into a service agreement with iGaming Cloud, Inc., trading as Gaming Innovation Group (“GiG”), to operate its mobile and online sports wagering platforms. Founded in 2012, GiG is a leading iGaming technology company based in Malta. GiG is currently licensed to operate in Iowa, New Jersey, and Pennsylvania, and in multiple countries internationally. The agreement is for a five-year initial term and automatically extends for successive five-year periods, provided that neither party gives the required notice of cancellation. Under the terms of the agreement, GiG will provide its casino management system and Sportnco sportsbook platform, and have exclusive rights to operate the gaming platforms. Crab Sports will be required to pay for related startup costs, employee training and recurring maintenance fees.

Ownership of Applicant

Crab Sports Inc. 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:

- Mr. Derek Baker – 306,250 shares of common stock (24.5%);
- Ms. 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%).

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

Complete and Equal Understanding, LLC was also established for the purpose of holding the investment in Crab Sports and is owned by Mr. Arthur Robinson.

Pink Palms Limited and Complete and Equal Understanding, LLC have each filed a Sports Wagering Principal Entity Disclosure Form with the Commission. Ms. Alice-Emma Starr and Mr. Benjamin Starr each filed a Principal Employee License Application with the Commission. Mr. Arthur Robinson is currently licensed as a Principal Employee in Maryland.

Financial Review

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. Crab Sports maintains an interest-bearing checking account with Fifth Third Bank of Cincinnati and currently

has a balance of \$1.8 million in the account. The Applicant will use these cash reserves to continue to finance startup costs as well as provide betting reserves.

Financial Analysis

Crab Sports' operating history is limited as the Applicant was formed only recently for the purpose of conducting mobile and online sports wagering in Maryland. 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. Additionally, 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. 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 a Sports Wagering Principal Entity.

FINDINGS

The MLGCA conducted a complete and thorough background investigation as authorized under the Gaming 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. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this 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 not disqualified under SG § 9-1E-07(g)(1) are summarized as follows:

- 1) Crab Sports Inc. was found to have financial stability, integrity and responsibility
- 2) There were no material issues involving the known financial backers
- 3) Crab Sports Inc. possesses the requisite good character, honesty and integrity
- 4) Crab Sports Inc. has sufficient business ability and experience
- 5) There were no potential disqualifying factors

Applicant and Principal Entities

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.05, and are not disqualified under COMAR 36.10.03.02C and SG § 9-1E-07(g)(1).

Principal Qualifiers

The following individuals were identified as principals of the Applicant. Each has submitted a Principal Employee License Application to the Commission:

1. Alice-Emma Starr (Temporary Principal License issued: 11/10/2022);
2. Benjamin Starr (Temporary Principal License issued: 12/20/2022);
3. Adele Anne Caroline Sinclair (Principal Application pending); and
4. Derek James Baker (Principal Application pending).

CONCLUSION AND RECOMMENDATIONS

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

MLGCA’s investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant’s qualifications. Based on the criteria in SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.05, we conclude that the Applicant has established by clear and convincing evidence the qualifications required for a Mobile Sports Wagering License.

Staff recommends that the Commission find Crab Sports Inc. qualified for a Mobile Sports Wagering License based on the provisions of the Sports Wagering Law by clear and convincing evidence.

Staff recommends the Commission entertains motions to:

1. Find that Crab Sports Inc. has established, by clear and convincing evidence, its qualifications for a Mobile Sports Wagering License
2. Delegate to Staff the authority to draft the Commission’s decision statement on the qualification of Crab Sports Inc. for a Mobile Sports Wagering License; and
3. Direct the Secretary of the Commission to transmit the decision statement to the Sports Wagering Application Review Commission.