

Alaska Indoor Sports

Distributing, Ltd.

www.alaskapulltabs.com

Doug McBride, President
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Date: April 23, 2026

To: House Labor and Commerce Committee

Cc: Representative Zack Fields
Cc: Representative Carolyn Hall
Cc: Representative Ashley Carrick
Cc: Representative Robyn Naiyuq Frier
Cc: Representative Dan Saddler
Cc: Representative Julie Coulombe
Cc: Representative David D. Nelson

From: Doug McBride

Re: **Written Testimony to HB386 (Electronic Pulltabs and Charitable Gaming)**

Please accept my written testimony regarding HB386 Electronic Pulltabs and Charitable Gaming

I am Doug McBride. I have owned and operated Alaska Indoor Sports Distributing for over thirty years. Alaska Indoor Sports is a wholesale distributor of charitable gaming products including pulltabs, bingo supplies, and related equipment. Our headquarters is in Ketchikan, and we have a warehouse in Anchorage. We sell to charities in every region of Alaska. We sell to charities that run their operations, charities that use operators, charities that use vendors (bars), and charities that join together by way of Multi Beneficiary Permits. We represent all major manufacturers of charitable gaming products including American Games, Arrow International, International Gamco, Specialty Manufacturing, CJ Vend, Bonanza Press, Diamond Games, Trade Products, Universal Manufacturing, Douglas Press, and Video King. We have work diligently to become the largest of the six charitable gaming distributors in Alaska.

I have concerns about five sections contained in HB386. My comments relate to how these five sections are anti-competitive and will result in higher prices, fewer suppliers in the market, less innovative products, reduced

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customer service, and a decrease in product selection.

Section 25(J) (Manufacturers Must Sell All Distributors). I request the Finance Committee remove this provision that requires manufacturers sell to all pulltab distributors. The provision is anticompetitive and will lead to degradation of service to the charities (our customers) for the following reasons:

- This “sell all” provision stops a pulltab manufacturer from using its judgment in deciding the way it thinks is best to compete and serve the Alaskan market. Core to this judgment decision is which and how many distributors it should use. A manufacturer may choose to select one or two of the highest quality distributors. Or only chose distributors that agree to carry the manufacturer’s full product line instead of just cherry picking a few products. Or the manufacturer could sell to anyone that will pay their bills on time. The Alaska market, like all markets in all industries, is best served by suppliers each selecting its own best way to compete in a market.

Should Ford be required to grant a Ford dealership to everyone that wants one? Should McDonalds be required to give a franchise to anyone that can afford it? Should Nike be required to sell Nike shoes to a guy with no retail experience? A law taking away from the manufacturer the core decision as to which and how many distributors it should use is wrongheaded and will surely lead to a dysfunctional market. The manufacturer knows how best to serve a market.

- This “sell all” provision interferes with the manufacturer’s ability to protect its brand and reputation. A manufacturer’s reputation is in the hands of its distributors. The manufacturer’s reputation can be destroyed by a poor quality, irresponsible, illegitimate, or uncaring distributor. This “sell all” provision will prohibit the manufacturer from “vetting” distributors. The manufacturer will be forced to sell to distributors that have poor reputations, do not pass the “smell test”, delivery poor quality customer service, or refuse to carry adequate levels of inventory. This section greatly hinders the manufacturer’s ability to demand that the distributor act in a manner consistent with the manufacturer’s reputation and brand. This section will result in harm to the manufacturers.

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- The “sell all” provision is attempting to regulate business relationships. The distributor-manufacturer relationship takes time and effort to build. The parties must build trust over time. The parties must come to believe they have shared a vision of the product line and the marketplace. The distributor must come to believe the manufacturer is worthy of its commitment. The manufacturer must come to believe the distributor will promote its products and protect the manufacturer’s reputation. This proposed law interferes with this relationship building and attempts to legislate it. The government should not interfere with this normal, healthy, and critical component of the marketplace.
- This “sell all” provision will have a chilling effect on new pulltab manufacturers entering the Alaskan market. There are over ten pulltab manufacturers that do not sell into the Alaskan market. These manufacturers are not entering the market because pulltab distributors are choosing not to buy from them. Distributors know that taking on new manufacturers comes with risk and costs. A distributor will only take a new manufacturer if the benefit is greater than these risks and costs. Manufacturers must be able to mitigate the distributor’s risks and cost in order to motivate the distributor to take on the manufacturer’s product line. One of the most powerful ways for a manufacturer to get a distributor to take to take on its product line is to offer the distributor exclusive distribution rights. With exclusivity the distributor will take the time and make the monetary investment necessary to launch a new product line in Alaska. This exclusivity mitigates the distributor’s risk. The proposed law will take this powerful tool away from the manufacturer and will ultimately result in fewer manufacturers entering the Alaska market. Government should not interfere with these incentives that serve markets so well.

Section 25(J) (Elimination of Proprietary Pulltabs): I request the Committee remove this provision that eliminates proprietary pulltab products and requires manufacturers to sell all proprietary pulltab products to all distributors. The provision is contrary to fundamental fairness, intellectual property laws, and is anticompetitive for the following reasons:

- The vast majority of pulltab games that are exclusive to a particular distributor are the creation of that distributor. The distributor either designs a new game from scratch or starts with an existing game and changes the “play” features, the look and feel of the game, the “payout” of the game, or

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adds features to the game. It is critical to understand the distributor is creating new intellectual property rights and proprietary interests when the distributor creates new products or modifies existing products. These proprietary rights and intellectual property rights are protected under general property rights law, trademark laws, copyright laws, and, in some cases, patent laws. The proposed law takes property rights owned by the distributor and gives them free of charge to all other distributors. Core beliefs of property ownership, fairness, and equity tell us this provision is flawed and cannot be adopted into law.

- Nearly all games created or modified by a distributor are protected by federal and state copyright laws. Copyright ownership and protections arise upon creation of the works by operation of federal and state copyright laws. The copyright is owned by the creator, which is often the distributor and at times is shared by the distributor and the manufacturer. Other times the copyright is owned by the artist the distributor hired to create the work. The proposed law purports to override federal and state copyright laws and give the creator's work away to other distributors without approval or compensation. I assert this proposed law treads on federal and state copyright laws and takes proprietary rights belonging to others without approval or compensation.
- Many pulltab games are sold with trademarks on them. These trademarks are the proprietary property of the trademark owner. Some trademarks on pulltab games are owned by distributors. I own trademarks. The trademarks are on individual pulltab games and are also on lines of products. This law purports to allow all distributors to sell another distributor's trademarked goods without approval or compensation. I assert this proposed law treads on federal and state trademark laws and takes proprietary rights belonging to others without approval or compensation.
- Historically there have been patented protected pulltab games sold. With constant innovation we should anticipate more patent protected pulltab games to be introduced. This law purports to require a patent holder to sell products to distributors it does not want to sell to. Core to patent ownership is the right to control the patented products. The proposed law overrides the core rights of patent ownership. I assert this proposed law treads on federal patent laws and takes proprietary rights

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belonging to others without approval or compensation.

- Many pulltab games are sold under license from third parties. The license agreements require the licensee to protect the licensed property and limit where the product can be sold, how long it can be sold, to whom it can be sold, etc. In addition, the licensee must pay a royalty to the licensor. This section requires a manufacturer to sell licensed products to distributors not a party to the license agreement. I have had license agreements with the Iditarod. This provision would put me in breach of my license agreement. Also, I would not be able to collect a royalty from the new distributors, and I would have to pay royalties on sales by other distributors. And the licensor now has a person selling the licensed mark that the licensor did not contract with and has no ability to control or to protect its intellectual property. I assert this proposed law is unworkable with licensed products and takes proprietary rights belonging to others without approval or compensation.
- Certain types of pulltab games are sold to a distributor only if the distributor agrees to certain contractual provisions. If you do not agree, the manufacturer will not sell the product line to you. These limitations include no reverse engineering of the game and no re-distribution of the game to other distributors. An example is Douglas Press and its King of the Mountain line of elimination games. Douglas Press includes these provisions to protect its intellectual property rights and ensure only vetted distributors have its proprietary product line. The proposed law indirectly puts me in breach of my contract with Douglas Press (in this example), puts at risk Douglas Press's intellectual property rights, and puts me at disadvantage because I am bound by a contract and the other distributors are not. I assert this proposed law is unworkable for products governed by such contracts and is unfair to the contracting parties.
- Distributors are incented to create new and better products by the desire to have better products than the competition. Better products equate to happier and more satisfied customers. Having satisfied customers means more customers, more sales, and a more robust business. All of this is good for the charities we serve as it ensures the charity will be more successful in selling pulltabs. The proposed provision eliminates this distributor incentive. If my work can be sold by other distributors, I have

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less incentive to spend the time, effort, and money to create new and innovative products. I assert this proposed law will reduce new and innovative products and ultimately harm the charities.

Section 25(L) (Price Fixing; Sell on Same Price and Terms). I request the Committee remove this provision that fixes the wholesale price of pulltabs and requires all pulltabs to be sold under the same terms to all distributors. The provision is contrary to our free market system, is anti-competitive, will result in higher prices, and may violate federal and state anti-trust laws.

- This section proposes to require manufacturers to sell to all distributors at the same price. This provision will result in higher prices in the Alaskan market for the following reasons and situations:
 - A manufacturer can sell to large distributors at lower prices as compared to small distributors because the large distributor is less expensive to sell to. But with the proposed section the manufacturer will not lower its prices to large distributors because the manufacturer will be required to sell to higher-cost smaller distributors at the lower price. The manufacturer can sell for less to the large distributor because it is less expensive to sell to the larger distributor. It is less costly to take larger orders than smaller orders, less costly to produce larger orders than smaller orders, it is less costly to pull and pack larger orders than smaller orders, and it is less costly to ship larger orders than smaller orders. The manufacturer passes along these reduced costs to the larger distributor. And this lower price ultimately allows the larger distributor to sell for less to the charities. This provision will result in higher prices to the larger distributors, which in turn will result in higher prices to the charities.
 - A manufacturer will not cut “one-off deals” with a distributor because the manufacturer will have to sell to all distributors at the “one-off” deal price. Examples of one-off deals are the manufacturer’s need to move product because it needs to make its quarterly numbers, or it is overstocked in an item, or it needs to temporarily reduce inventory, or a salesman is trying for a sales bonus. If a manufacturer lowers the price for a legitimate business purchase to one distributor, then the manufacturer is punished because it must sell to other distributors at this same lowered price that has nothing to do with that legitimate business purpose.

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- Competent distributors will no longer be able to negotiate lower prices and better business deals that less competent distributors can negotiate. A manufacturer will not give the competent distributor the better price or deal because the manufacturer will have to give the better deal to all distributors. As a matter of policy, the law should encourage competent distributors and not reward distributors that are weak or incompetent.
- A manufacturer contemplating entering the market cannot give a distributor a “great deal” to incent the distributor to take on the new manufacturer’s product line. If the manufacturer does give a great deal to a distributor, the distributor may elect not to carry the new manufacturer’s product line.
- This section proposes to require manufacturers to sell to all distributors on the same terms. Terms generally mean the number of tickets you must have printed, the number of days to pay, the early pay discount, and the freight reimbursement. This provision will result in higher prices, fewer discounts, and more expensive freight costs in the Alaskan market for the following reasons and situations:
 - A manufacturer will at times reduce the number of pulltab tickets a distributor must have printed in order to print a pulltab product. The manufacturer offers this reduction because it has open press time and filling the press time at lower quantities is better than not running the press. A manufacturer will not lower its required ticket runs because the manufacturer will then be required to lower ticket runs when the presses are busy. The result is the distributor will not print “marginal” games.
 - A manufacturer will not cut “one-off shipping deals” with a distributor and reduce the amount of product that must be shipped for the distributor to get freight discounts. The manufacturer will stop these one-off shipping deals because the manufacturer will be forced to ship to all distributors at the “one-off” freight deal terms. Examples of one-off deals are when the manufacturer needs to move product because it needs to make its quarterly numbers, or it is overstocked in an item, or it needs to temporarily reduce inventory, or a salesman is trying for a sales bonus. The terms are made better for legitimate business

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- purposes. The manufacturer will not offer these deals, and orders will not be shipped.
- Competent distributors will no longer be able to negotiate better freight terms than the less competent distributor. A manufacturer will not give the competent distributor the better terms because the manufacturer will have to give the better deal to all less competent distributors.
 - A manufacturer contemplating entering the market cannot give a distributor “free shipping” to get the distributor to take on the new manufacturer’s product line. If the manufacturer gives a great freight deal to get the distributor started, it will have to give a great freight deal to everyone.

Section 29(h)(5) (Distributor can “Re-Manufacturer Games and Change Prize Structure): I request the Committee remove this provision that allows a distributor to re-manufacture pulltab games by adding a last sale. The provision eliminates pulltab integrity and accountability and introduces fraud and theft into pulltabs.

- A core requirement of pulltabs is that the payout structure is set by the manufacturer. That means the number of tickets, the prizes, and the profit are fixed. This prize structure is reported by the manufacturer to the State of Alaska Gaming. The amount of the 3% Ideal Net Tax is based on this reported payout structure. The Gaming Unit knows how much revenue, prizes, profit and can compute the 3% Ideal Net Tax based on this manufacturer report. Allowing the distributor to add a “last sale” blows up this well-organized system. The game’s prizes reported to the Gaming Unit are now different, which in turn changes the Ideal Net and the 3% Ideal Net Tax.

If distributors are allowed to re-manufacture games, all distributors in order to be competitive will include with every pulltab game sold a “last sale” sticker. So, the Gaming Group will have to manually change the prize structure on thousands of games a year.

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- Allowing the distributor to alter the prize structure introduces the opportunity for theft. The less than honest charity manager tells the distributor to include “last sales” stickers for all games. And promptly does not offer the last sale and pockets the last sale amount.
- The Gaming Unit will have no practical way to ferret out this theft.
- The charity will have no practical way to ferret out this theft.
- Charities can now buy all the last sale games they want. These games have the “last sale” built into the prize structure and the games is clearly marked as having a last sale. There is no need for this change.
- The law currently allows a charity on a one-off basis to add an “ad hoc” last sale if a game has gone dead. So, this change is not needed.
- All pulltabs ship with Flare Cards that by law must be posted. Flare Cards list the “payout”. Pulltab players read and rely on these Flare Cards. If the distributor alters the payout the Flare Card is incorrect and misleading. The proposed law does not require the distributor to create and post a revised Flare Card.

Section 25(N) (Filing of Confidential business contracts with the Gaming Group). I request the Committee remove this provision that requires manufacturers to file confidential and proprietary distributor contracts with the Gaming Group for the following reasons:

- This section requires a manufacturer to file every contact the manufacturer has with a distributor within seven days of the signing of the contract.
- I struggle to find a valid regulatory reason for the Gaming Group to know about or keep a record of my confidential business agreements with manufacturers.

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- I am concerned that once the Gaming Group has my business confidential agreements, these agreements will end up in the hands of my competitors.

Thank you for reviewing my concerns and comments about HB386.

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