

Matt
Fischer,
Alaska
Wholesale
LLC
Kasilof,
Alaska



- CSSB 146
 - An act relating to gaming; relating to pull-tabs and electronic pull-tab systems; and providing for an effective date.

Who we are

- Independent Alaska distributor with a 30+ year history
- Alaska Wholesale Inc. was started by former Senator Paul Fischer.
 - Restructured after his death as a new company – Alaska Wholesale LLC
 - Started with the sole purpose of ensuring non-profits had access to low-cost pull-tabs and bingo paper
- Family Owned; I am a lifelong Alaskan.
- Serve the entire state of Alaska
- One of three remain distributors with primary business of gaming supplies
- The only Distributor being actively run by the owner
 - Unique perspective, as we deal with all components in the industry on a daily basis, from manufacturers to the players

Alaska Gaming – It's about the Nonprofits!

- Alaska's charitable gaming is unique!
 - The money that goes to the non-profits helps to decrease their dependency on State funds.
 - Senior centers
 - School Sports
 - Tribal organizations
- Legislature designed Alaska charitable gaming to benefit nonprofits
- All changes in regulation should focus on maximizing return to the nonprofits.

How Permits Can Be Run

	Self Directed Permits	Multi Beneficiary	Operator	Vendor
Typical Look	Pull-tab Store Fraternal Organization Bingo Hall	Pull-tab Store Bingo Hall	Pull-tab Store Bingo Hall	Bar
Where does the money go?	All management and money is controlled by the non-profit	All management and money is controlled by a maximum of five permittees working together	Operator is responsible for all costs of gaming and guarantees non-profits 30% ideal net for pull-tabs and 10% for bingo	Permittee is responsible for game costs. Vendor purchases game from permittee and is guaranteed a 30% profit.
Does ticket cost matter	Yes	Yes	Yes	Ticket cost has no effect on vendor, a huge effect on non-profit since they guarantee vendor 30% profit

Development of CSSB 146

Arrow designed SB 146 with their attorneys and lobbyist from out of state.

Many parts of their bill do not work for Alaska and clearly show they are not familiar with Alaska Gaming.

I have always been taught, “Don’t just complain, find a solution.”

CSSB 146 is the solution to keeping Alaska charitable gaming successful for decades to come.

Designed by Alaskans for Alaskans!



Development of CSSB 146

- After reviewing Arrow's proposed bill, we took another look at whether E-tabs were right for Alaska
 - Developed several models that showed, with increasing paper costs, paper pull-tabs can not be sustained much longer
 - Researched other E-tab companies after hearing Arrow was looking at charging nearly 50% of the profit for game according to operators they had talked with
 - Found Pilot Gaming out of Minnesota
 - Pilot turned E-tabs into a success from a complete failure in Minnesota
 - Outnumbered Arrow sites in Minnesota 31:1
 - Pilot Games rate for games was a clear 31% profit share
 - Worked with Pilot to understand what statutes were needed to deal with shortcomings in North Dakota and Minnesota
 - Met with Operators, Permittees, and Vendors to see what they would need for E-tabs to work for Alaskan Nonprofits

Minnesota Sites - December 2023	
Pilot Games	1643
Pollard - Compliant	662
Arrow	53

Key Points from Alaska Industry talks

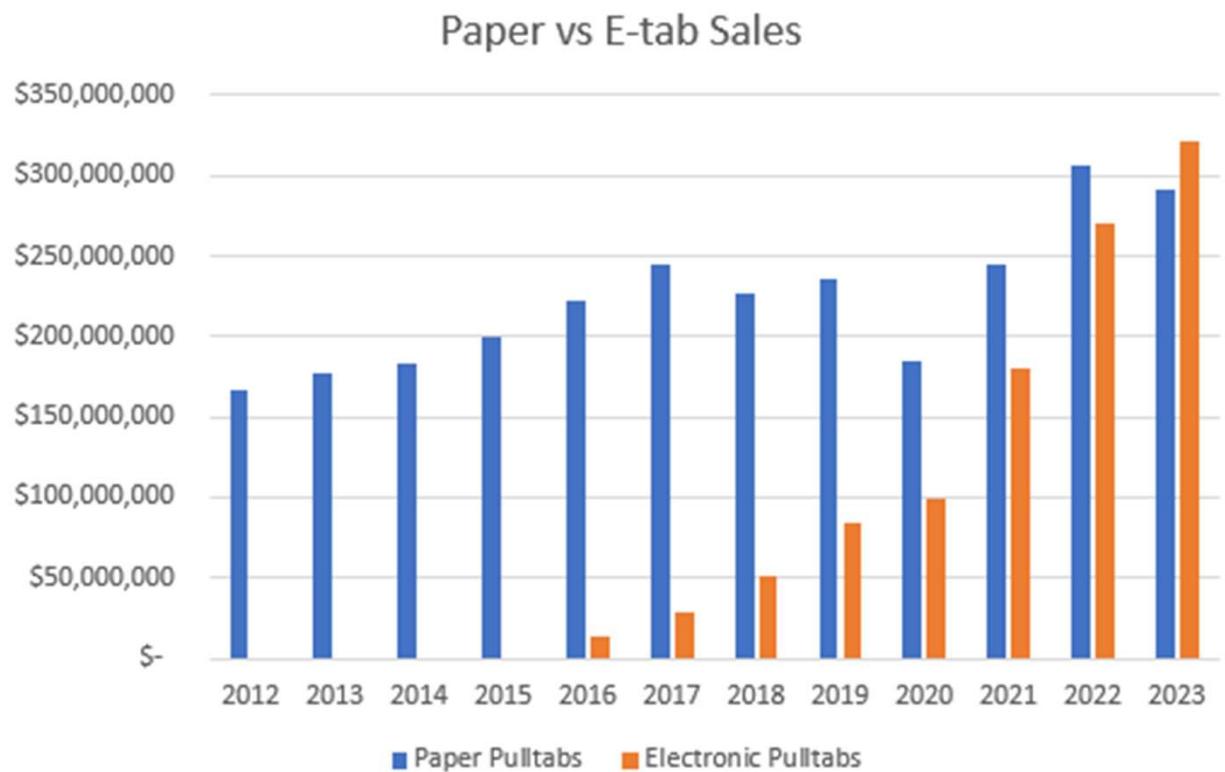
- Concerned about a monopoly
- Worried about cost of e-tabs – profits going out of state
- Worried about bars looking like casinos putting pull-tab stores and bingo halls out of business
- Worried about tips declining with e-tabs
- Concerned about play being too fast
- Not understanding how permit limits work
- Insist rules are put into statute, and not put off until regulation time
- Many things are required by the department that are never reviewed or needed (ex. payroll reports)
- Some municipalities charging a tax based on gross sales versus ideal net
- Frustration that the bill was written by out of state interests
- Concerned that their store sales information acquired through POS systems will be used/shared with other stores
- Worried manufacturers will become operators in effect- Self serve e-tab centers in malls

Minnesota compared to Alaska Gaming

Minnesota Pulltab Activity - Ideal Net					Mn Paper Pulltab Change	Mn Electronic Change	Mn Combined change	Alaska Change
	Paper Pulltabs	Electronic Pulltabs	Alaska Gaming Pulltabs Net					
2012	\$ 167,111,000		\$ 67,541,800					
2013	\$ 176,750,000		\$ 63,984,567		5.77%		5.77%	-5%
2014	\$ 183,781,000		\$ 67,179,033		3.98%		3.98%	5%
2015	\$ 200,144,000		\$ 70,308,933		8.90%		8.90%	5%
2016	\$ 221,920,000	\$ 12,960,000	\$ 59,600,067		10.88%		17.36%	-15%
2017	\$ 245,132,000	\$ 28,634,000	\$ 63,847,533		10.46%	121%	16.56%	7%
2018	\$ 227,257,000	\$ 51,375,000	\$ 69,805,567		-7.29%	79%	1.78%	9%
2019	\$ 236,423,000	\$ 84,414,000	\$ 71,107,600		4.03%	64%	15.15%	2%
2020	\$ 185,371,000	\$ 98,783,000	\$ 71,558,033		-21.59%	17%	-11.43%	1%
2021	\$ 245,578,000	\$ 179,861,000	\$ 91,661,833		32.48%	82%	49.72%	28%
2022	\$ 306,878,000	\$ 270,003,000	\$ -		24.96%	50%	35.60%	
2023	\$ 291,087,000	\$ 321,414,000	\$ -		-5.15%	19%	6.17%	

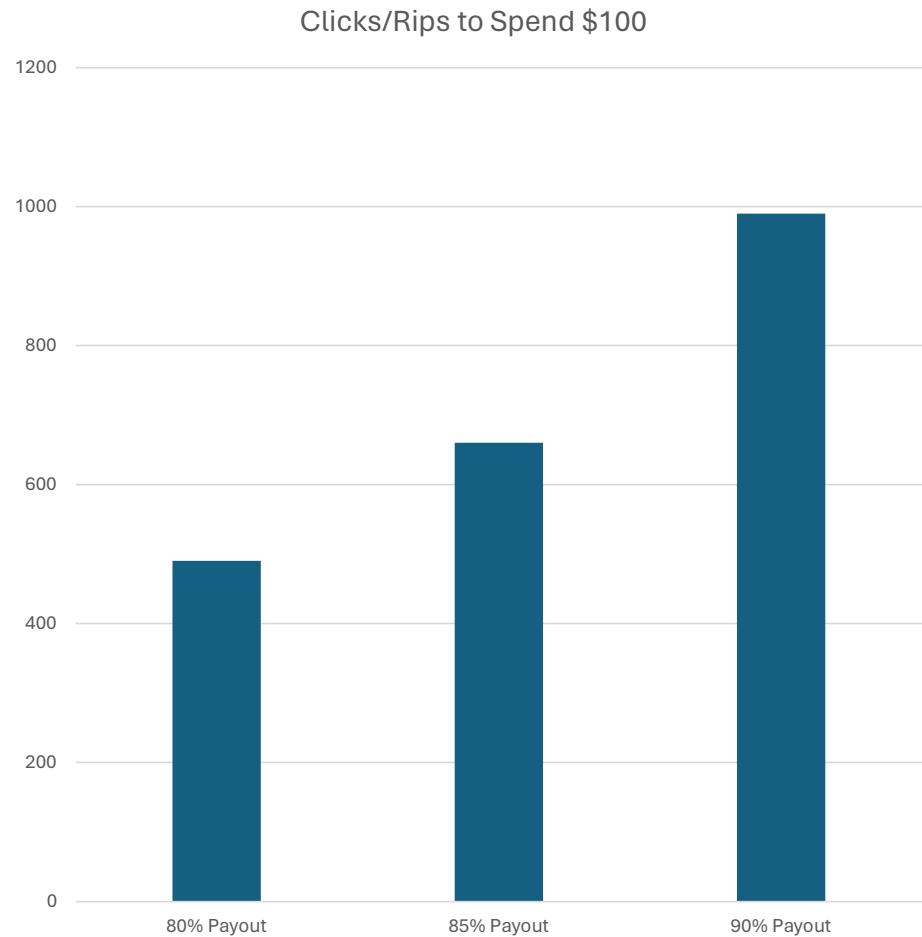
MN 2012- 2021 change	AK 2012- 2021 Change
155%	36%

What happened to Paper Pull- tabs in Minnesota with the introduction of E-tabs



Pull-tabs as Entertainment

- *Entertainment*- amusement or diversion provided especially by performers, something diverting or engaging
 - To spend \$100 it takes between 490 to 990 clicks/rips (mathematical average)
 - Pull-tabs have a guaranteed payout
 - It is known that you will be donating between 10% to 25% every time you play
 - Most Pilot e-tab games have “bonus play” built in that prolongs play of larger payouts, simulating the time it would take to cash in a ticket while providing an entertaining experience



Why CSSB 146

- Paper Cost
 - Continued increased cost of games from manufacturers has gotten to a point that we must consider alternatives.
 - Pre-Covid we were seeing tickets for \$.02 or less each. Today we are seeing prices in the \$.05 and \$.06 range.
 - Our customers' best success comes when they use games in the 85%-90% range. With the increase in paper cost, little is left for the non-profits.
 - To deal with the price increase many nonprofits have lowered the payout percentage which lowers customer happiness. This leads to less customers.
 - Bingo halls can get by with a lower percentage because they bring in customers for bingo, and they play pull-tabs.
 - A permittee that uses a vendor makes very little.

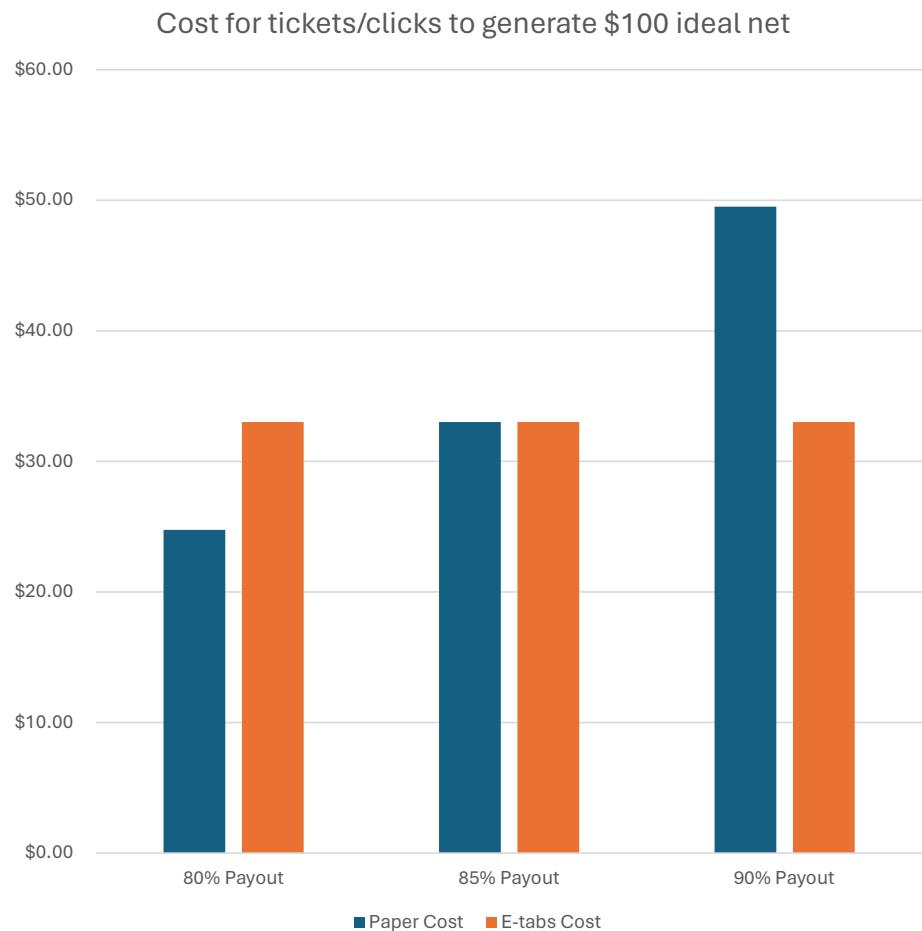
Pull-tab Store Death Spiral

- Many of our customers are in this mode
- We will lose many non-profits in gaming before this bill passes
- They need relief in ticket prices
 - E-tabs can help subsidize paper
- E-tabs brings in new customers
- E-tabs allow higher percentage games without additional cost to non-profits



Paper vs E-tabs Price Comparison

- Many concerns focus on the price of E-tabs and money going out of state
- This is a comparison of paper tickets versus e-tabs with our company at a 33% profit share
- The break-even point is at 85% payouts
- Historically most of our customers aimed for 85% or above payout average on their games
- Players recycle their money, generally a win will be replayed
- Higher percentages allow longer entertainment
 - Think of a good day fishing versus a bad!
- Not all companies are equal! Don't chose a company that won't tell you a price and commit to it long term!



Penetration Marketing – We need to ensure fair competition

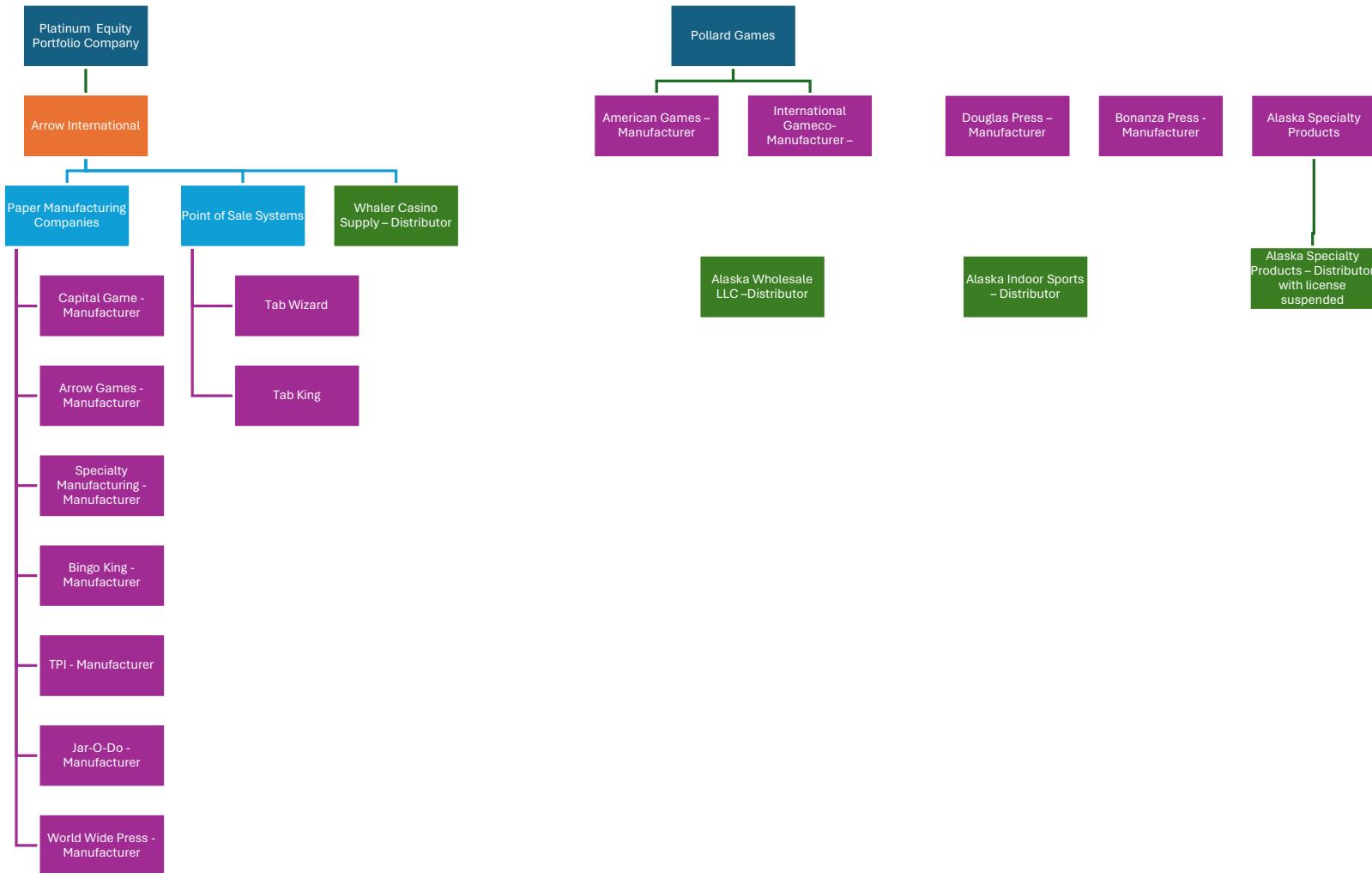
- When you go into a convenience store and prices aren't marked, you know you are going to get gouged at checkout
- Through our partnership with Pilot Games, we guarantee for a minimum of five years that our profit-sharing rates won't change
 - 33% for permittees
 - 31% for operators (they are expected to have employees trained for machine repairs)
- Some companies have been known to offer huge incentives to place machines, then charge higher rates
 - Through statute we can control this



Why CSSB 146

- Supply Chain
 - Manufacturers have been bought up by equity firms creating less options
 - Alaska is now essentially supplied by only four Manufacturers
 - Some Manufacturers have put themselves in a spot that they can create a monopoly

Alaska Pull-tab Supply Chain



Why CSSB 146

- Supply Chain
 - Arrow
 - Controls seven manufacturers
 - Only sell to two distributors
 - This year they bought the Whaler Casino Supply which calls itself the Largest Distributor in Alaska
 - We fully anticipate that they will cut off supply to Alaska Indoor Sports in the future
 - They don't currently sell to any other distributors than AIS and the Whaler which they own
 - They bought both major point of sale systems used for gaming in Alaska
 - Allows them to see price points of all other distributors and what products they are selling
- Douglas Press
 - Limited inventory of games to Alaska
 - Seeing shipping times of months out
- International Gamco and American Games
 - Limited supply to Alaska – Focused on southern Markets
- Bonanza Press
 - Fully Supporting Alaska Distributors
- Manufacturers buying their own distributors is a new trend within the last few years

In the last
hearing
Arrow
questioned
why Alaskans
are viewing
them as the
big bad wolf.



We look at it a little differently. The big bad wolf was attacking from the outside. Those we have talked to are more concerned that Arrow is the big bad wolf hidden inside the trojan horse, looking to take over Alaska's nonprofit gaming.

CSSB 146 has requirements that aren't normally seen in other industries but are similar to rules in place in North Dakota and Minnesota that ensure a competitive market for paper pull-tabs.

There is a reason why. We have seen manufacturers abuse their power in Alaska to reduce competition and artificially raise prices to the non-profits.

Often times the non-profits aren't price savvy because it is "free money".



Mr. Gallagh
 Wall - Bill
 Dennis Gallagh
 AK
 Lu Marriage.
 I called Bill Wickerson and told him she
 was getting a distributorship + that I was
 not going to sell ~~any~~ arrow related
 products.
 "Rumor":
 He said the (they) Arrow personnel were concerned
 + they would be pleased.
 Last Order
 Subsequently Luin got the AK distributor. a few weeks later
 and when the day came I called Bill to let him
 know + place an order
 I honored that 2009 agreement to this very
 day. No Arrow products were ever sold to any
 AK distributor since the ~~Whale~~ 2009 sale.
 Didn't know why -
 only you which I do.
 Rumors - Let Corp know - information wasn't true
 remove Get me set + top - will only AK
 Conclusion - State Police - "State Game"
 I will contact AK Gaming for verification
 When do I go from here to have AK A.D. dist
 suspension lifted - Who can lift the suspension.
 We Visit to Cleveland. + go back to my
 We're original agreement
 Non Profits - AK Senate 1982 - 1992
 Calculating - Am't of Business loss of sales
 Credit - good.
 2016
 20
 1996
 20
 Vol - AK - Specialty / Unived Mfg.
 Can't hire a Veteran. I have a
 vet.

- Manufacturers have worked with certain Alaskan distributors to restrict competitor sales
- Two Manufacturers worked with Distributors to stop selling pull-tabs to Paul Fischer, the owner of Alaska Wholesale Distributors
 - Paul's prices were low
 - They falsely believed Paul sold their product to another distributor (which is legal) and they did not want that distributor to be competitive with the other Anchorage distributors
- Paul sought a legal opinion-
 - Based on the facts that you have described, it appears very likely that one or more of your suppliers of pull-tab games have breached Alaska law by refusing to sell the games to you anymore. At a minimum, they would appear to have violated Alaska law against monopolies and the restraint of trade (AS 45.50.562). By refusing to sell to you, they are reducing lawful competition for the product, as well as restraining intrastate trade and commerce. Further, depending on the circumstances, they may have also violated the same laws against forming a combination or conspiracy to effectuate the same purpose.

Why CSSB 146

- Paul had been selling these manufacturer's games for 20 years
 - His customers depended on the games as staple games
 - They were forced to buy from Anchorage distributors if they wanted the same games (at higher prices)
- Was told by one of the manufacturers – you can sue us, but we have more attorneys than you
- Paul told me a story that in Vegas at a trade show he met with the President of one of the companies and the person brought out a picture of himself and Senator Sullivan to show that he was politically connected.
- It was suggested by one of the companies that he sell his company to one of the Anchorage distributors
 - The company offered a price that was unrealistically low and wanted him to finance the sale.
- Through this strategy manufacturers and the large distributors have eliminated most of the Distributors
- More distributors means more competition and lower prices
 - Our games often are priced 25% lower than the competitors for the exact same game
- North Dakota and Minnesota both have laws that manufacturers must sell to all distributors
 - Some manufacturers get around the law by saying games are exclusive – CSSB 146 addresses their ways around the law

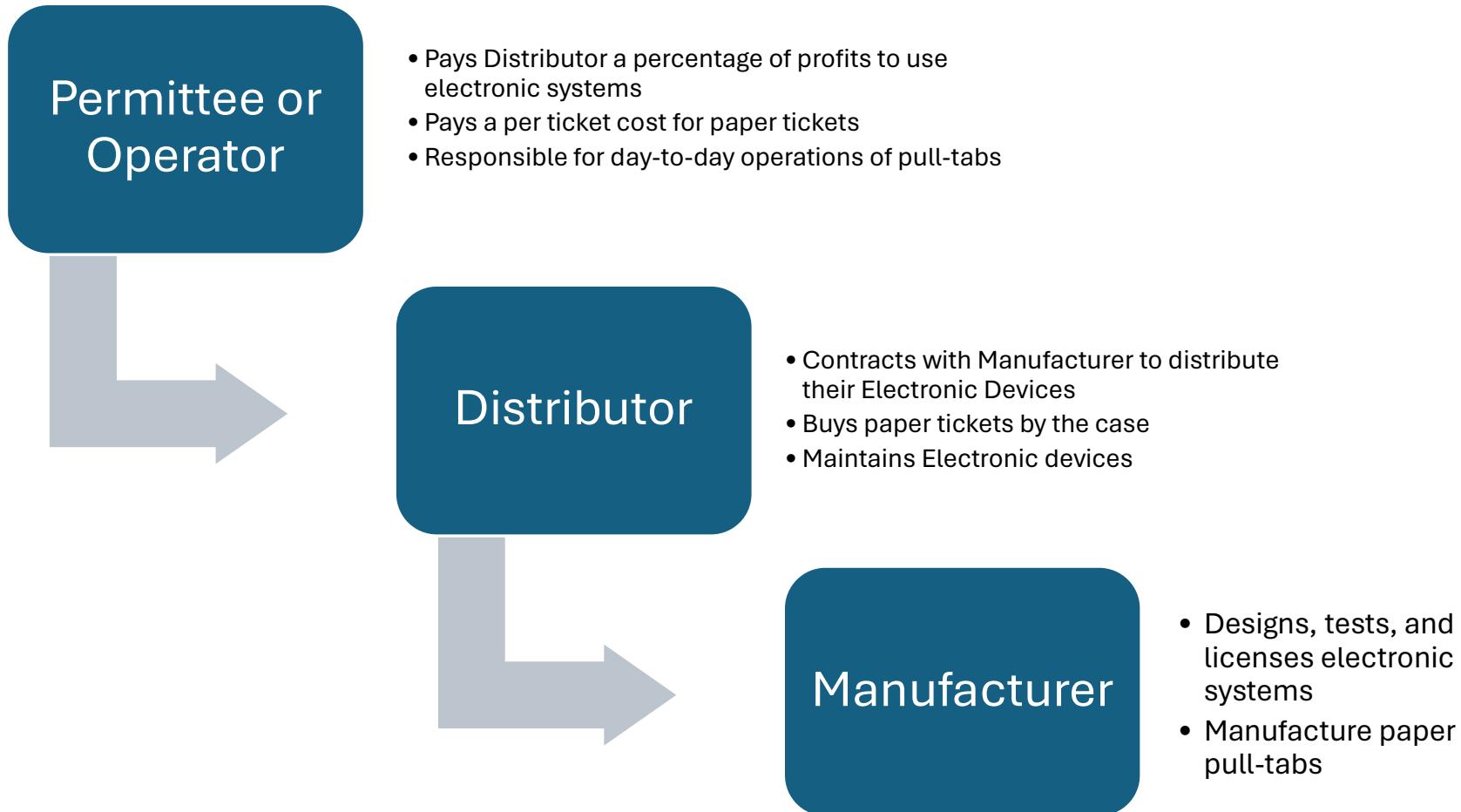
What is in CSSB 146 – Permittees

- Permit prize cap increased from \$2 million to \$5 million to accommodate for higher E-tab payouts
 - No separation for paper or e-tabs, this is left to the discretion of the permittee
- Removes the \$500,000 cap if an operator is used
- Pooling of permits by operators and vendors allows easier access for more permit holders
- Access to lower cost paper pull-tabs due to more competition amongst distributors with manufacturers having to sell to all distributors and limiting exclusive games
- Protection of sales information by prohibiting manufacturer and distributor use of point-of-sale data
- Keeps self directed organization with something “special” in allowing them to have cabinets, but not vendors.
 - Operators are also allowed to have cabinets but not in establishments with alcohol
- No limits on the number of e-tab devices they can have in a store
- Ban on advertising is removed
- Places a 1% of ideal net cap on local municipality taxes of pull-tabs
- Requirement to use gaming proceeds within one year are removed
 - It is widely considered bad practice for a non-profit to not have funds on hand for more than one year of operations

What is in CSSB 146 - Operators

- Elimination of some paperwork that isn't being done currently or can be automated by the State.
- Operators' contracts require 30% of adjusted gross income from pull-tabs and 10% for bingo go to permittees. All reporting not needed for these two numbers is eliminated (payroll, utilities, etc.).
- Operators can pool permits together and split the 30% among them.
 - Currently they must track each game to a single non-profit.
- E-tabs are only available to operators that have been in business for three years until 2030.
 - This is intended to control the rollout of E-tabs.
- An operator must have an employee dedicated to their pull-tabs and e-tabs.
 - Can't have a laundry mat with e-tabs and the laundry worker is working the gaming or vice versa.
- Allowed to have cabinets and handheld devices.
- If an operator leases bar space, they may not have e-tab cabinets in the facility, only mobile devices.
- Allow permittees to use their full permit limits of \$5 million with operators.

Money flows in one direction! There should be no “Kickbacks”.



What is in CSSB 146 - Manufacturers

- The Department may not issue a distributor's license to a manufacturer
- May not pay for modifications to a building to install a gaming system or pay for utilities
- May not provide gifts, gratuity, premium, or other things of value to an entity or organization
 - A good product should speak for itself and not require kickbacks or incentives
- A manufacturer must sell paper pull-tabs to all distributors in the state that have been in business for at least three years
 - Must be at the same price points and quantity requirements
- Exclusive paper pull-tab games are limited to a one-year time frame, then are available to all distributors
- A manufacturer must submit a copy of contracts with distributors within 7 days of signing to the Department
 - This ensures no side deals or kickbacks
- A manufacturer may not obtain, use, share, or sell point-of-sales data from paper tickets or bingo

Why address kickbacks?

- Currently in North Dakota distributors are being offered \$10,000 per device that they place in a bar that signs a long-term exclusive agreement by a Manufacturer
 - Bars know about the \$10,000 and expect that to be passed on to them
 - Permittees may never benefit from this and may be hurt if machines come with a higher price per ticket than competitors
- A manufacturer or distributor could refuse to sell paper games to a permittee, operator, or vendor that does not use their devices
 - Especially troublesome when one distributor/manufacture controls what we estimate to be over 50% of the paper market
- A manufacturer could do building renovations with the promise of a long-term contract and their devices may have a higher cost that is detrimental to the permittees
- A paper manufacturer could stop selling to a distributor that does not sell their electronic devices
- A multitude of other methods that can be devised if manufacturer and distributor kickbacks are not prevented

What is in CSSB 146 - Vendors

- Able to pool permit holders and split proceeds for e-tabs
 - Allows them to run far more permits
- Allows for electronic transfer of funds
 - Distributors can establish a system that automatically distributes proceeds from the vendors bank account to the non-profits each month
- Limits vendor to tablets only – unlimited quantity
- Tablets will work better for many bars as bartenders won't have to spend large amounts of time counting paper tickets
- Less errors by dealers, no miscounts
- Access to more bars as tablets are considered a little classier (no paper mess)
- This version shows vendors share being reduced to 20% for e-tabs. After further talks with vendors, we recommend an amendment putting it back at 30% to help them increase salary to compensate for the lower tips that come with e-tabs

What is in CSSB 146 – Electronic Pull-tabs

- No difference in permit prize cap between paper and e-tabs or combination of the two - \$5 million
 - No punishment for not using e-tabs, those that want to use their entire cap on paper and continue as they are can with the higher limit.
- Caps payouts at 90%
- Allows an auto-close feature. For example, when all prizes over \$50 in a \$1 game are paid out, the game is removed, and a new game is loaded in. Players know there are always major prizes left in games they are playing
- Payout kiosks are restricted to employee access only. No self serve pull-tab popups
- Cabinets restricted to self directed facilities, operators in non-alcohol locations, and fraternal organizations
- Handheld devices allowed in all locations
- No limits on the number of devices in a location

80%

Paper Pull-tabs
Ideal Net Split with Tickets at 5.5 cents, 80% Payout



Electronic Pull-tabs
Ideal Net Split with Revenue Share at 33%, 80% Payout



Where does the money go?

Self Directed non-profit.

90%

Paper Pull-tabs

Ideal Net Split with Tickets at 5.5 cents, 90% Payout



Non-profit
44.97%

Distributor
55.00%

State Tax
3.00%

Electronic Pull-tabs

Ideal Net Split with Revenue Share at 33%, 90% Payout



Non-profit
64.00%

Distributor
33.00%

State Tax
3.00%

Where does the money go?

Self Directed non-profit.

80%

Paper Pull-tabs
Ideal Net Split with Tickets at 5.5 cents, 80% Payout



Non-profit
27.00%

Distributor
27.50%

Operator
42.50%

State Tax
3.00%

Electronic Pull-tabs
Ideal Net Split with Profit Share at 31%, 80% Payout



Non-profit
27.00%

Distributor
31.00%

Operator
39.00%

State Tax
3.00%

Where does the money go?

Non-profit using an Operator.

90%

Paper Pull-tabs

Ideal Net Split with Tickets at 5.5 cents, 90% Payout



Non-profit
27.00%

Distributor
55.00%

Operator
15.00% State Tax
 3.00%



Non-profit
27.00%

Distributor
31.00%

Operator
39.00% State Tax
 3.00%

Where does the money go?

Non-profit using an Operator.

80%

Paper Pull-tabs

Ideal Net Split with Ticekts at 5.5 cents, 80% Payout



Electronic Pull-tabs

Ideal Net Split with Profit Share at 33%, 80% Payout



Where does the money go?

Non-profit using a Vendor.

90%

Paper Pull-tabs
Ideal Net Split with Tickets at 5.5 cents, 90% Payout



Non-profit
12.00%

Distributor
55.00%

Vendor
30.00%

State Tax
3.00%

Electronic Pull-tabs
Ideal Net Split with Profit Share at 33%, 90% Payout



Non-profit
44.00%

Distributor
33.00%

Vendor
20.00%

State Tax
3.00%

Where does the money go?

Non-profit using a Vendor.

Next Steps

- With the adoption of CSSB 146 into committee we have a better foundation to look at
- This is still not ready to pass
 - It has not been reviewed by enough in the industry
 - We don't want to do the same thing Arrow has and try to push something that has not been thoroughly vetted
- Alaska Wholesale will organize regional meetings throughout the summer to see what concerns are and to help educate what changes would mean
 - We will use this CSSB as the starting point of the conversations
- We hope to bring back to the legislature in 2025 a bill that has broad support from the charitable gaming industry