

Software developer is suing PokerTek

Local firm accused of breaching its contract

Charlotte Business Journal - March 9, 2007

by John Downey

Senior staff writer

A Texas software developer has sued PokerTek Inc. for \$2.5 million, contending it breached the developer's contract to help create PokerTek's signature electronic poker tables.

In court filings, Tellis Software Inc. of Madisonville, Texas, says it was hired by Matthews-based PokerTek in late 2003 to develop the game software for the tables.

PokerTek signed a contract in May 2004 agreeing to pay Tellis up to 2% equity in PokerTek, plus bonuses worth up to \$730,000, court documents state.

But Tellis says the relationship with PokerTek soured by August of that year. After Tellis turned the software's source code over to PokerTek, the table manufacturer tried to renegotiate the contract. When Tellis refused, the lawsuit contends, PokerTek made up an excuse to fraudulently cancel the contract.

Adam Loewy, Tellis' attorney, declines to say what reason PokerTek gave for canceling the contract. That will come out at trial, he says.

With the PokerTek's market cap now around \$89 million, the contract would be worth about \$2.5 million.

The suit was filed last month in U.S. District Court in Texas. It names PokerTek Chief Executive Lou White, who signed the contract, as a defendant with PokerTek. The suit accuses them of breach of contract, fraud and unjust enrichment.

Tellis is also seeking an unspecified amount in punitive damages.

PokerTek has not yet filed its response. The company's spokeswoman could not be reached for comment.

Tellis' head Nick Trout, who wrote the software, tried to work out the dispute with PokerTek before filing the suit, Loewy says, but PokerTek executives wouldn't talk to him.