



Putting it All on the Table™

## DIGIDEAL FINALLY SCORES PAYOFF

### Slot machine maker announces investment in Valley company

**Bert Caldwell**  
**The Spokesman-Review**  
**April 5, 2007**

Electronic gambling has finally come up aces for DigiDeal Corp.

The Spokane Valley maker of electronic table games that mimic blackjack, poker and other card games has struggled since 1998 to catch a winning hand. Tuesday, International Game Technology rewarded that gamble by announcing a major investment in DigiDeal, pending regulatory approvals, resolution of other issues and approval by shareholders.

DigiDeal President Mike Kuhn says terms will be disclosed at closing, expected in May. He says the company's original investors will retain majority control but get some cash out of the deal as well.

Reno-based IGT, with annual revenues of \$2.54 billion, is the world's largest maker of slot machines. But the company had limited experience with electronic table games, Kuhn says.

"Of course, we live in that space," he says. For years, it was a lonely space.

The company in 1999 introduced Digital 21, a blackjack table that displayed player and dealer hands as virtual, oversized playing cards. Dealers, who no longer had to deal cards, had only to manage chips and engage the players.

The result was faster play and lower cost for casinos. Once they got their hands on the machines.

Gaming officials unfamiliar with DigiDeal's technology scrutinized the tables to ensure they could not be tampered with. Laws and rules had to be amended to allow their use. And, just as importantly, gamblers had to be sold on card games without real cards.

Enter the Palm Pilot, the Blackberry and the hand-held video game, which were still relatively uncommon when Digital 21 was unveiled.

"People are getting very familiar with electronics, and trusting it," Kuhn says.

Enter, then exit, Internet gambling, which created excitement on the Web that DigiDeal had been trying to stir among casino owners. Kuhn says U.S. efforts to ban Internet gambling have driven many players into casinos, where DigiDeal games almost make them feel at home.

Finally, enter Macao, Singapore and Vietnam, which are becoming Asia's gambling meccas. Macao gambling revenues last year exceeded those for the casinos on the Las Vegas strip. DigiDeal is on that market like kings on split aces.



5207 East Third Avenue  
Spokane Valley, WA 99212 USA

toll free: 1-877-747-8889  
phone: 509-747-8887  
fax: 509-747-5125

[www.digideal.com](http://www.digideal.com)



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Kuhn says a "huge" order from Vietnam is part of a 300-machine back order that will almost double the number of DigiDeal games in play. It took six years for the company to surpass 100 games and finally reach profitability.

He projected sales this year near \$10 million.

To help get there, DigiDeal must add 20 employees with software and electrical engineering skills, and/or proficiency in Spanish or Chinese, within the next 18 months. The company now employs about 30.

Kuhn says IGT's global distribution channels were one of the attractions of the match. Another was the exchange of intellectual property, which has been critical to the success of both companies.

Spokesman Pat Cavanaugh says IGT's patent portfolio dwarfs that of any competitors and the company is always looking for more.

Resorts, he says, try to differentiate themselves with design, amenities and service, but the casino floors themselves look largely the same. In the future, technology and custom games will distinguish one from the other.

The investment in DigiDeal, and a five-year option to buy the company, will give IGT time to get a read on just where the technology is going, and how fast.

"Hopefully, it's going to be a successful venture," Cavanaugh says.

Close to home, Kuhn says DigiDeal will install 10 machines in the Coeur d'Alene Casino this spring, following approval of the devices by the state of Idaho. Tribal casinos have been among the company's best customers.

"It will be the showroom we've attempted to have in the past and did not succeed with," says Kuhn, referring to DigiDeal's involvement with the short-lived Marilyn's on Monroe casino in downtown Spokane. The company had little invested in the project except the gambling tables, which it reclaimed, but its closure in June 2005 was an unusually public failure.

"It was humble pie," says Kuhn, who says he still likes the idea of a downtown casino.

Kuhn says he and other DigiDeal investors were naive about the challenges they faced with their technology. Overcoming regulatory concerns and gambler wariness was harder than filling an inside straight.

"We're just happy that we were able to stick around long enough to enjoy it," he says.



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