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"ODDS COUPLE"
by R. Paul Dhillon

Towering above Georgia Street, overlooking the landmark Hotel Vancouver in the city's bustling downtown business district, lies International Thunderbird Gaming Corporation, a center piece of a very successful business empire constructed by South Asian entrepreneurs Hari Varshney and Raj Chowdhry.

From these offices, located on the floor of Cathedral Place, the Varshney Chowdhry Group, which also includes Varshney's sons Praveen and Peeyush as principles, manages a total of seven publicly trading companies, including IGN (Internet Global Network) and Axion Communications Inc., with a total market capitalization in excess of \$100 million. Other diverse interests include diamonds, oil and gas exploration.

Varshney and Chowdhry, both Chartered Accountants by profession, decided to form an alliance in 1985 to seek opportunities in the venture capital arena after very successful careers as accountants for some big Howe Street players like Nelson Skalbania. However, this wasn't the first time the two men, who had similar cultural backgrounds, had met. In fact, Varshney had been, in a way, Chowdhry's mentor while articling for his CA at Arthur Andersen under Varshney, who was a manager at the prestigious accounting firm at the time.

"I respected Hari because he was a very established person. I don't know if he necessarily respected me, because I was just a student, more of a pain in the butt," Chowdhry remembers fondly. "But that was the first time we had met. He was my boss. He was a very hard taskmaster, not an easy guy to work for. But I'll tell you, all the people who worked for him at the time, if I look around today, there were about three or four of us, we have all done very well. So aside from being a good accountant, he must have had a good eye for people."

The first company that Varshney started was called First American Mining -Corporation. Varshney's friend, Brij Sharan, who recently passed away, was the director and Varshney was the president. They collected the seed money at 25 cents a share, did the underwriting at 40 cents and the stock opened at \$1.10.

"I had a number of investors from Montreal through several friends there. Together we used to own a building with 240 apartment units," Varshney recalls. "I used to go every month and check the books and do the accounting. All these investors were so pleased that once they realized how much money they were making, they said how much money do you want for your next deal. So all of a sudden I had access to a lot more money at my disposal."

Unlike many other players on the stock market, raising money for their various deals hasn't been a problem for Varshney and Chowdhry because the dynamic duo have a stellar reputation and credibility with major financial institutions and individual investors. So when they needed \$5 million to start IGN, an idea Chowdhry had about putting a casino on the Internet along with Internet sport betting, Varshney called a friend of his in Zurich, Switzerland, and told him to arrange a luncheon meeting with five portfolio managers who manage \$300 to \$500 million each. The next day they flew to Zurich and sat down for lunch at Sheraton Atlantis and told the fund managers that they needed \$5 million. And to their surprise, within an hour everybody wanted to give them \$5 million each for their idea. They only took a million from each fund and started the company. They went back to the fund managers six months later and said they needed another \$5 million and again they gave them \$1 million each.

IGN, which is based in St. Kitts in the Caribbean where it has an Internet gaming license, has since grown into a full business which now has several subsidiaries. It trades on the Vancouver Stock Exchange, NASDAQ over the counter and on the stock exchange in Germany. Its website is located at www.winstreak.com.

"We have raised \$11 million for IGN mainly from European investors," Varshney says, sounding very confident. "Raj and I have a very good following with the European institutions because they have made a lot of money with us. When we started Thunderbird, many people became millionaires from the deal. We had done the financing at \$1 with a warrant attached to it. And the stock was trading at \$6 and warrant was trading at \$5. So an investment of \$1 was trading at \$11. So for an investment of \$100,000 you had a \$1 million profit.

"So lots of people in Europe were very happy but it was also their luck. But we also had our credibility and that's why money is never in short supply for us, by God's grace. And also because of the honesty. We try to tell our investors the straight goods - good or bad and our integrity is appreciated."

Initially, Varshney and Chowdhry were involved mostly in taking shell corporations public and selling them to make money. However, soon they decided that for longevity, they should find some operating businesses for which they could raise money on the stock market. By the time they officially formed the Varshney Chowdhry Group in 1992, they were already managing several public companies. And the following year they found their biggest deal to date, which has totally reshaped the organization.

The whole idea for International Thunderbird Gaming Corporation, which now has multi-national operations with over 130 employees, originated when Varshney and Chowdhry were visiting Tbilisi, the capital of the former Soviet republic of Georgia. It was at the time when the communist system was falling. The two principles had gone there with some of their business friends. Confined to their hotel for four days because of a curfew,

they met some people from Regina, Saskatchewan, who wanted to sell slot machines.

"They said, 'If you give us half a million dollars, we can make several million out of it,' Varshney says with great relish. "So I told them why don't you come to Vancouver and let's talk. So these people came to see us in Vancouver and showed us their business plan and we looked at it and said we can do it. We took over their company and asked them to move to Vancouver. And now none of them are with us as the company has evolved.

"I basically went through the whole system of what I had learned in my MBA class. Acquiring a company and then doing a leverage buy out, you name it. We did all that in Thunderbird. We bought a company in Charlotte, North Carolina. We bought a manufacturing company that makes the slot machines in Denver, Colorado. We bought this marketing company out of Regina. And this is how Thunderbird came together."

Thunderbird's first year of operation was 1994. In that first year, the company's sales were only \$3.6 million with a profit of \$340,000 after taxes. However, in 1995, its revenues were \$27 million and the net income after taxes was \$3.5 million. In 1996, revenues were \$35.4 million and it made a profit of \$6 million after paying a lot of taxes. And 1997 will be another decent year for Thunderbird.

"We were ranked among the top 1000 companies in Canada at 449," Varshney says proudly. "And out of the top 100 companies in B.C., ranked number 59. From that point of view we have been pretty successful. So it gives us great pride, but not in the wrong sense."

Thunderbird is now shifting from being a marketing and manufacturing company to owning and operating casinos like the Palm Beach casino in Aruba in the Caribbean. The company was recently granted four casino licenses in Panama and is the only company licensed to operate a lottery in Guatemala. It is now actively pursuing other casinos in Central and South America and it is the only company pursuing a gaming license in China where gaming is currently illegal.

The tremendous success of the Varshney Chowdhry Group depends on the simple philosophy that success is a group effort and sharing the wealth is the only way to ensure future success. And no matter which of the principles you talk to, they all say the same thing: 'Money is never made alone.'

"I always subscribe to the theory, money is made together through a win-win philosophy," Varshney says. "Let's work together and create success and worry about dividing the money later. The whole problem comes when people say what's in it for me. I have never gone into a particular business venture from this point of view. I always say let's make this a success and have fun together. Our whole philosophy in business is we are

here to create wealth and that's the only way we can run these businesses."

Varshney, the second eldest of five brothers, grew up in Kazimabad, a small village in the state of Uttar Pradesh. His father was a tobacco merchant and the village *Sarpanch* (chief) which afforded the young Varshney and his siblings great respect and appreciation from the other villagers.

"I would accompany my father everywhere," Varshney says. "And people would say *Sarpanch Ji Ke Ladke Hain* (They are the sons of the Sarpanch). I would get treated very well. People treated you like you were something special. I cannot describe the feeling in words. My father was nice to everyone and I had a very unselfish giving mother. People treated him with great respect not just because he was the *Sarpanch* but also because of his personality.

"For example, when I was going to school in a nearby town called Atrauli, I used to go on a bike. And one day, you know being a young kid of 10 or 12, riding the bike without holding the handle, I fell and the handle of the bike went through my lids and one of my eyes almost came out. A *tanga* (horse carriage) driver came and stopped and said, 'It's the *Sarpanch's* son.' He dropped all his passengers and he got me on his *tanga* and took me to a hospital in Atrauli. He told the doctor that I was the son of the *Sarpanch* in Kazimabad. The chairman of Atrauli municipality came and made sure I was treated with proper care and then he told the *tanga* guy to go and tell my parents about the accident. My parents came quickly to see what happened and by the time they came I was all treated and ready to go back home. It showed the connections and respect that people had for my father."

Varshney remembers his childhood fondly, even though the family didn't have very much. What little they had, his dad would generously share it with those who were less fortunate than them and his mother would always welcome all kinds of strangers into their home with open arms.

As a kid, he used to play *kabaddi* in the village. Laughing, he recalls that all the kids in the village used to call him their *Sardar*. "I used to be bossy but no one can accuse me today of being bossy," Varshney jokes. "The kids idolized me because I was pretty intelligent in class and a lot of people depended on me for their homework So I was the leader of that group and never took crap from anyone."

The only thing his father demanded of him was that Varshney should work hard and make sure he had good marks in school. And Varshney never disappointed his father in that regard, achieving above average marks in school and then graduating at the top of his class from the university.

"He was very proud of me," Varshney says of his dad, who recently passed away.

Right from the beginning, Varshney was never satisfied with his lot in life and always thought of getting out of the village, finding a good job and achieving something. His father supported him in everything he did. Long after he had left the village and married his wife Madhu, whom he lovingly compares to India's silver screen legend and great beauty Madhu Bala, his desire to still better himself didn't stop, as he became the first Varshney, going back to all the Varshneys, ever to leave India.

"At each step of the way I went for the better things," he says. "I went to Modinagar to work for Modi industries. And after that when I found out that an MBA can get you more money, I said let's go. There was no one to guide me but I had burning ambition and that's what makes you go on.

"You have to never be satisfied. I'm saying you have to always look for better things. So when I say okay I would like to have a Hugo Boss suit or better cars or live in a better neighborhood, to achieve these dreams, you have to strive for it. Oh sure I believe in luck - but to create your own luck you have to work hard."

Varshney credits his success in business and personal life to his wife Madhu, without whose support and sacrifice it would not have been possible. Madhu is a dedicated community worker and a language and dance teacher which she does on a voluntary basis. She started her own dance group called "Indo Canadian Folk Dance Group" in 1986 to perform in the Expo. She is a Education Director and Vice-President of V.H.P. and a former director and secretary of India Club.

After being accepted to a number of MBA programs at universities in the United States, Hari finally decided on University of British Columbia, which was the only university to offer him a \$1000 fellowship. So in 1967, Varshney packed his bags and came to Vancouver. Once at UBC, Hari found out that Chartered Accountants were paid a lot more money so he again quickly changed gears.

"I said to myself, here I'm making only a \$1,000 and they (CA) are paying a student \$6,000 annually," he says. "So I decided to go into the CA program which helped me bring, my wife and two kids that I had left behind in India, in just over a year."

Varshney articulated at Arthur Andersen and got his CA in 1971. He became a senior auditor at the company and later a manager and eventually became a principle at the firm. At Arthur Andersen, he ran audits for three large corporations —B.C. Tel, Finning, and Weldwood of Canada, which gave him extensive experience and helped him build contacts among the local business elite. And when the firm tried to transfer him to Lagos, he

refused to go. Instead, he quit to start his own practice.

While Varshney was making his mark as a CA in Vancouver, Chowdhry was on his way to the big city to attend UBC from the small town of Mica Creek, near Revelstoke, which his family had adopted after his dad moved the family from India to the B.C. Interior. On reflection, Chowdhry feels that the first and the best break he ever got was that his parents immigrated to Canada. "I will always be very thankful to my parents for giving me this great opportunity," says Chowdhry.

Chowdhry, a bright young lad who attended boarding school while in India, found the move to Canada a big cultural shock. "I was academically good and very good in sports. I played field hockey and cricket. And when we moved here, it was a small town, and nobody knew what grass hockey or cricket was. And I'd never played basketball, ice hockey or skied. Culturally, it was a very different society. India was very much a segregated society. The boarding schools were all boys. The whole concept of dating and seeing people and social values were a big shock to my system," Chowdhry recalls.

"When I moved to Salmon Arm to go to high school, there was only one other Indian family there. And then I was the next to arrive and there were two school teachers who had moved from Brandon, Manitoba. And most people in Salmon Arm, even though it was so close to Kamloops, had never seen an East Indian. We were the first Indian family in Mica Creek. So it was interesting to grow up in that environment."

Asked if he experienced any racism during those early years, Chowdhry simply says that there has always been ill feelings between different cultural groups and all immigrants have experienced those ill feelings.

"I think everybody has a choice to make there," he says. "I think this is where Hari and I have a common denominator when we first met. When I joined Arthur Andersen and articulated there for three years, even in private, we only talked in Hindi, maybe, twice because both of us had made that decision indirectly. He came here at a much older age and I was 14 when I came here. When I arrived here I asked myself who am I, I definitely wanted to be a Canadian. I loved the freedom and the society I had envisioned as a kid. I was also very proud of being Indian.

"I really believed at the time that if I choose to say to myself that there are problems there will be problems, but if I choose to say to myself that there are no problems everything will work because I wanted it that way. And even if there is discrimination, I'm not going to acknowledge it as such. I don't want to use it as a crutch or an excuse to say things didn't work out because of it. I was occasionally called names by other kids, but I developed thicker skin. I felt I would rather fight, but fight in a different way. The best way to control your life is to control your own destiny as much as possible. My approach is thinking that I'm much better than you are and I'm going to show you what I can do. I'm a Canadian and I always will be a Canadian even though I'm an Indian. This is my country and I

love it."

In 1970, he headed to Vancouver to attend UBC with the intention of becoming a dentist. However, like his partner to be, he too decided that he wanted to be a business person.

"My dad was 42 years old when he moved here," education was not recognized here and he took whatever engineering job that he could. He used to get paid only \$400 a month and every winter he would worry whether he was going to lose his job or get laid off. That had a lot of impact on me. I said damn it this is not how I want to live. I don't want something defining my destiny. I knew I couldn't work for somebody. I had to be my own boss."

After finishing his BCom in two years (it's a four year course) Chowdhry articulated at Arthur Andersen and that's where he met Varshney (who Chowdhry lovingly refers to as "Guruji"). Chowdhry left Arthur Anderson at the end of 1979 to pursue his own CA practice. Although they kept in contact, the two didn't meet up again until 1985 when Chowdhry was building his house, which happened to be just behind Varshney's old house.

"We said you know I have a practice and you have a practice and we do all this work for other people, why don't we do it for ourselves," Chowdhry says. "I remember when Hari left Arthur Andersen in 1982 we had lunch together and he had asked me what I thought of him starting his own accounting practice. Hari had been offered many fabulous jobs, and I remember saying to him, go on your own, you'll never regret it. Because I had been on my own for a couple of years, he undertook the challenge and never looked back."

In 1986, the two set up their offices downtown and while they kept their practices separate, they began doing their public companies together. "Hari and I have a very unique relationship because partnerships are the toughest thing in business," Chowdhry says. "I think by the time we had left and met in 1985, I continued to respect Hari, obviously from the older days because he had accomplished a lot. Maybe he gained some respect for what I was doing. I was doing things on my own and he got to know me in a different way. I had taken a slightly different path than him. I was doing the same things that he was doing but he was 10 years ahead of me."

Chowdhry says Hari is a very loving and a very trusting man, who is defined by his calmness. "We have a lot of business dealings with the Japanese. The Japanese have a tendency to give you gifts that define you," he says. "For example, this (pointing to a Samurai warrior statue) is a statue of the fellow by the name of Musachi, he was the first guy to unite all of Japan. He was a warrior. This defines my personality. How can I organize and take it. When you go to Hari's office you'll see a statue of a very peaceful man and he's standing there, very calm. I'm the conqueror. I'm like a bull whereas Hari is a very patient person."

"So what's happened in some respects is that I don't believe either one of us would have been as successful by ourselves. I contribute a lot of my success to Hari and I hope that he feels the same way about me. Because of these divergent personalities and how we think and look at things, we could look at the same thing and see very differently but have the patience, and not the ego to discuss what we want so we can execute in a very dynamic way. It's like salt and pepper, even though they are very different, in reality they go very well together."

Chowdhry says the secret to their successful partnership is that, aside from the business, they have developed a great friendship, where they can trust each other with their lives. "In business, if it is a matter of me giving him something or he giving me something, doesn't matter how large it is, we don't ask each other for anything," Chowdhry says. "We trust each other implicitly, with everything. And I think that built the cornerstone that has allowed us to incorporate the kids and make other changes that we wanted to. At the end of the day we always knew whenever we had a disagreement I would go to him and he would come to me and we would always say the same thing: 'Whatever you think is unfair, change it. Whatever you want is fine with me.' The idea was that you never fought for something. You looked at it more as what can I give you."

And when it came time to move the Varshney-Chowdhry Group forward into the next millennium and instill some family continuity, it was Chowdhry who suggested that Varshney's sons join the organization as it was the only way to ensure success and longevity for the Varshney-Chowdhry Group of companies.

In 1990, Praveen Varshney, who graduated from UBC and became a CA, joined the two partners, which then formed the organization known as the V.C. Group in 1990. His lawyer brother Peeyush joined about 16 months ago to head up the legal side of the business. Along the way Chowdhry also persuaded Varshney's daughter Vandana to become a stockbroker instead of going to work for some company after she finished her marketing degree. She works at Canaccord Capital Corporation.

Initially, there were some difficulties in making the kids fit in but the Group has made the necessary adjustments for smoother sailing.

"Most families have only one general, but this is a very unique business because there are two generals and two presidents," Chowdhry says. "Hari and I were used to making all the decisions together. While we were just by ourselves it was very smooth. Now that things began to change and the company became larger and we brought in the kids, it became more difficult. We had to work a lot harder at it. And that's typical of any family that is growing. But what is nice is that over these past five years we're able to generate and overcome these challenges and stay together."

"It could be very tough for kids to come into the family business because you could get a lot of criticism or perceived criticism. But it's like a training ground for a boxer, you hit him here, you knock him down, you

jump on him, you shout at him and everything else. Because soon a day will come that he will have to be thrown in the ring."

The Group recently made a decision that Praveen and Peeyush are going to become the first line. "It's the changing of the guard," Chowdhry says. "Now we feel that we trained them enough, we criticised them enough that they are ready because they have survived that process.

"I think the best pleasure in life is to have a successful business with your kids incorporated in the full life of the business when you are gone. Also to be able to work with your children on a day to day basis. And Hari has that - he deals with all his three kids on a daily basis.

"I hope that as I was instrumental in bringing his kids into the business because they are my family. I should surely hope that if my kids are capable, his kids will take my kids and incorporate them in and carry on. They will be the next generation and Praveen and Peeyush's kids will be the generation after that. And our business can go on for a long time."

Praveen credits Chowdhry as being the important link that has shaped the kids into the business. "Raj has been a huge influence on the three children and even on dad," he says. "And sometimes he calls it 'meddling'. It's been an amazing partnership in that respect because our skills all complement each other. Raj is a strategist, a visionary and a long-range thinker. And a very creative guy. So he has really influenced how we have developed on a business level. A lot of the success our family had over the last 10 years has been through this partnership with Raj."

Both Praveen and Peeyush say they are ready to tackle the new transition phase, where the torch is being passed from the old to the new guard. The transition will allow Varshney and Chowdhry to spend less time in the office and more time playing golf and relaxing. "It's an exciting challenge for us and we see ourselves ready for it and like dad we want to take the ball and run with it and see how much further we can go," Peeyush says. "It's a big responsibility. We look at it from the perspective that a lot of people's livelihood depends on the decisions we are making. And these people have families who depend on their salaries to put food on the table. These people give us their heart and soul and we have to be thinking out for them every step of the way. From that perspective, there's definitely a lot of responsibility and challenges."

Praveen, who is married to Anuja, also a CA, says the V.C. Group's investment philosophy is based on calculated risk taking where the downside of the deal is weighed against the potential upside to determine if the potential profits are worth the risk. This is done very diligently by all the principles who examine every aspect of the deal before taking on a business opportunity.

"One of the important concepts or principles that we always talk about is capital preservation. It takes money to make money. Once you start

making some money, try and take your original money out. That's the best way to build a portfolio," Praveen says.

Praveen, who has assisted in raising over \$50 million in venture capital over the last four years, was recently named one of the 40 most amazing business achievers in 1997 under the age of 40 by Business In Vancouver. He has a tremendous vision for the future of the organization and says he sees the Group evolving more into a money management role.

"There is a lots of money out there looking for investment opportunities," he says. "That's something personally I've always had as a goal in the last few years to start a mutual fund management company. We do see a lot of investment opportunities. Hopefully, I will start such a company in the latter part of this year."

With the torch now having passed to Praveen and Peeyush, Varshney and Chowdhry are looking forward to doing more things on a personal and community level. Chowdhry, who has lived primarily outside the South Asian community, wants to take greater part in community affairs and is looking forward to spending more time with his kids.

"I feel it's time for me to get back into the community," he says, "Now I'm going to come to the arena and start to get more involved. Up-till now I've never been active in the sense that I've not spent time at the temple. I've not gone to the community's functions. I've not gotten involved even from a social perspective where I've taken the time to invite people. But I feel for the first time that I have time to get myself emerged in the Indian in me.

"I see myself having a more balanced life with more emphasis on the family and the community. Personally, I've gone through a lot of turmoil. I've been separated now for four years and that has taken a toll on me. But over all what generally makes me very happy as a whole is I love good people, good as in honest, honourable people. When I find friends of that nature, it really adds value to my life. Hari is one of those people and his family has been very dear to me. For me true happiness comes from people not from material things."

In 1997, Varshney and Chowdhry had their first inaugural Golf Classic Charity Tournament which was organized by Anuja. It was a great success. They raised more than \$40,000 which was donated to Canucks Place for Children. Anuja is getting ready to organize the 1998 tournament.

Varshney, who likes to watch the Hollywood action and Bollywood romantic fantasies with wife Madhu, says he still has a lot of dreams left but feels very satisfied at seeing his sons taking on the challenge of running what he and Chowdhry created. "What it does by having my sons here is that it gives the organization continuity. You can hire all the people but the trust and diligence which they bring, knowing that these businesses

have to survive, other people cannot bring."

Varshney and Chowdhry feel they are blessed to have the next generation to keep building the business. They are proud of Praveen and Peeyush for taking over the future challenges. "We are confident that they have what it takes to build our investments," says Chowdhry.

Like his father, the village *Sarpanch*, who took the responsibility of caring for others, Varshney looks at the hundreds of employees his companies employ and takes personal responsibility for looking after their well being. He says it's a good feeling to see the companies succeed so that other people can benefit.

Varshney, who remains busy with charity and volunteer work with his time off, has donated to many good causes including the VHP, temple and UBC's South Asian center. He is a founding member and director of the Canada-India Village-Aid Association, which since 1982, has sent more than \$10 million to India to build hospitals and women's centers. The family has also recently set up their own charitable fund.

"I learned from my father that the pleasure is in giving and not in receiving," Varshney says. "I've always subscribed to this theory. I feel guilty when somebody gives me something. I feel so guilty that I try to give them double back."