

.The New Masters Of The Universe: Lorne Abony

It's not all fun and games for the deal-maker behind Fun Technologies

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A daring breed of Canadian entrepreneurs is emerging as the economy shifts paradigms. They are the new masters of our corporate universe, and they are changing what we do and how we do it. Being typically Canadian, they operate below radar range and seldom boast about their accomplishments -- unlike Wall Street's egomaniacal high flyers who were tagged with the original title by novelist Tom Wolfe.

The new style of horse traders spend most of their prime time away from home, pioneering not just new companies but new technologies that lease time, compress space, and invent their own language. Closer in touch with reality (even when it's virtual) than their patrician predecessors, these audacious young men and women are citizens more of their age than their geography. They remain stubbornly Canadian but are constantly in flight and flux. The globe is their oyster; their idea of long-term planning is next Wednesday's power breakfast, and if doing business once meant being the member of a private club, now it requires being hooked into a network.

They are highly strung individuals with limitless ambition who know exactly what they want and how to get it -- even at the cost of never slowing down long enough to be called run-of-the-mill workaholics. Meritocracies such as theirs choose their own heroes, and this new Maclean's series will tell some of their stories.

First up is Lorne Abony, 38, CEO of Fun Technologies Inc., who was the youngest CEO of any company on the Toronto Stock Exchange when it was listed in 2004. His games empire is creating a new bonanza in self-entertainment; his daredevil pace of deal-making is challenging the once-staid pace of Canadian commerce.

One valid definition of personal heroism is climbing Mount Everest, and nearly every ascent produces a memorable quote. The first was from George Herbert Leigh Mallory, the legendary British mountaineer. When he was asked, just before his fateful 1924 climb, why he wanted to scale that great peak, he simply replied, "Because it's there." More than six decades later, when Stacy Allison, the first American woman to tame that big mother of a mountain, was asked the same question, she reversed the metaphor: "Because I'm here," she quipped.

Lorne Kenneth Abony is very much in Stacy Allison's corner. Like one of the bloody-minded Everest climbers, he subscribes to the core entrepreneurial creed that his strength of will shifts whatever he intends to accomplish from the impossible to the likely. When his Toronto-based company, Fun Technologies Inc., was founded in early 2002 with

partner Andrew Rivkin, it had no assets except a puny \$1.8-million start-up fund that dipped perilously close to zero within the first year.

Five years later, Fun Technologies has been valued at nearly \$500 million, it employs more than 300 people in seven cities (Boston, Los Angeles, Toronto, Minneapolis, Las Vegas, St. Louis and London), and has become the world's largest provider of casual games on the Internet, boasting 31 million registered users. In 2006, Fun's revenues increased by 87 per cent to US\$47.1 million, and industry analysts expect revenues of around US\$75 million for Fun in 2007.

Unlike online gambling, which picks winners by chance or by luck (and remains illegal in North America), skill games are based on the alacrity of the players. Fun Technologies' six dozen classic games include chess, Scrabble, bridge, checkers and 60-second solitaire. How do you play competitive solitaire? "Ten thousand people might be playing the same deck of solitaire," Abony explains, "and the person who solves the deck the fastest wins." The more popular exotic games include Bejeweled, Lingo, Dynamite, Collapse! and Zuma, which is enjoyed by 90 million players around the world. Abony's 100-plus global distribution partners include AOL, Disney, Microsoft, the Game Show Network and *NASCAR.com*.

It's the thrill of the game that counts, but Abony also stages annual tournaments with prizes of up to US\$1 million per tournament, and more than US\$10 million in prize money is given away every month. "Our games customers are casual, mostly women -- I think of them as either soccer moms or desperate housewives," he says. "What's amazing is the community nature of skill gaming. If you visit some of the chat rooms, there is a huge degree of collaboration." The latest innovation is to sell fantasy and virtual reality sport games, so users can program their own football, basketball and hockey tournaments, pick their favourite team members, call their plays and predict their scores.

The company has Canadian subscribers, but online games have become one of the most successful commercial applications of the international Internet. Sector-wide online game sales are expected to pass an annual US\$10 billion by 2009. At the moment, Abony's largest potential is to exploit the partnership he recently negotiated with the Game Show Network that reaches 60 million homes south of the border.

What propels Lorne Abony through his impossible 24/7/365 itinerary is his high-octane self-confidence rooted in his conviction that his niche in the exploding self-entertainment industry has virtually unlimited potential. His personal fortune -- the holdings in his own company alone are worth just under \$50 million -- is neither splurged nor hoarded, but mostly reinvested. Whatever category covers this new industry, he is really in the money game, its currency his ability to make better and bigger deals -- which he does at breakneck speed. He jets from one takeover target to the next, simultaneously negotiating to buy out half a dozen rivals spread over two continents and a dozen time zones. Abony's perseverance puts him in the same category as one legendary paladin of Silicon Valley who always won the game of chicken because opponents suspected he might actually enjoy a head-on collision.

During the past five years of hectic deal-making he personally raised more than US\$160 million and consummated a long series of mergers and takeovers. In the past 18 months, five deals opened a window to China's humongous online gaming market and games on mobile phones, and he negotiated an agreement to develop a gaming platform for the National Hockey League. In February of this year he launched his initial assault on broadcasting with a first-of-its-kind partnership with DirecTV, the leading satellite television service provider in the U.S., to provide his games to DirecTV customers via a new interactive games channel that accesses 11.9 million American homes. "The reason Internet businesses are so incredibly profitable is because once you develop the technology, you can add each additional customer at very little cost," he explains. "Just ask Microsoft. Once they perfected the Word technology and were selling it to customers for \$350 bucks, their cost of sales was about a dollar. Incidentally, that's probably not true, it's more likely to be 20 cents. So there's this enormous incremental margin, and the same thing holds for our business. Once we build our game and tournament engines, as we add new customers it costs almost nothing to bring more players on board."

Airplanes come closest to being Abony's permanent homes. He spent 203 nights in hotel rooms last year. In 2007 he'll be close to repeating that record, so that his elegant neo-gothic mansion in Toronto's Forest Hill village will be relegated to an occasional drop-in way station. His entrepreneurial passion is infectious: "Most people have to see something to believe it; but as a pure entrepreneur, I'm able to believe in it first, then make it happen," says he. "One of my favourite sayings is that where you stand depends on where you sit. For a long time, I sat on the outside, looking in, so my competitive instincts come from that. It's all about coming from nothing, and never wanting to go back to where you came from. Sure I'm competitive -- that's innate, that's my genetic mapping. Society visited that upon me, coming from a world that had really nothing, then seeing a world that had a lot."

Abony had a tough upbringing and on bad days still feels like a refugee from his past. "I live my life by the principle that 'nothing comes easy' -- in fact, everything comes with great pain. You've just got to keep pursuing your dreams and never give up. I was born to immigrant parents and grew up in subsidized housing. My dad George was a plumber, my mom Rhonda a sales clerk in a jewellery store. My parents got divorced when I was about six months old. I lived with a single mother my entire life. My dad is an old sort of Hungarian-type immigrant person but I did learn hard work from him, and he taught me how difficult life can be. When I was about 11, I went to work as a plumber's helper on my dad's crew. I found out how hard each dollar comes, and how damn hard life is for almost everybody."

Young Lorne's entrepreneurial spark first caught fire in high school where he organized a rock concert that brought in \$4,000 and ultimately morphed into an Ontario-wide "battle of the bands," with record contracts for the winners. By his graduation year in 1987, 25,000 hand-waving students had attended his 20 concerts. Then he was off to McGill University, and later the international law program at the University of Windsor, where he graduated with Canadian and American legal credentials. Instead of spending his summers working at a law firm, he launched Tickets, a company that recruited his fellow

students to defend alleged offenders in traffic court. The firm eventually spread to three cities and was sold at a profit. He was too busy to attend lectures and mostly showed up only once a week at a lecture where his absence would have been noticed. His friend and law school roommate Hayden Solomons took notes for him, but one particular course in debtor and creditor law, based on a 1,000-page textbook, almost did him in. He had attended not a single class and spent a straight 72 hours cramming for the end-of-term test. By then, he was so exhausted that he fell asleep for most of the exam, yet somehow ended up with a decent mark.

After graduation and a short stint as a corporate lawyer, Spot, his golden retriever, led him to his next incarnation as the partner of Andrea Reisman (Heather's daughter) in *Petopia.com*, an online pet supply site that prospered briefly and was eventually sold to U.S. retail giant Petco. After Petopia, Abony decided to finally find out what business was all about and enrolled for an executive M.B.A. at New York City's Columbia University. There he wrote the business plan that eventually became Fun Technologies. The actual engineering was done by Guerman Kopytov, a former Soviet military programmer. An early and valuable investor was Scott Paterson, the controversial Bay Street entrepreneur who Abony calls "one of the most imaginative entrepreneurs I've ever known." Now CEO of JumpTV, the multinational TV Internet network, Paterson is "a man of his word 300 times over," says Abony (who is vice-chairman at JumpTV).

Abony's management structure at Fun Technologies is flat but demanding. "The hierarchical approach, where people are layered on top of one another, is outdated," he maintains. "It doesn't allow a company to move quickly enough. In our management team each person is empowered in their own business unit to execute almost anything. There's no template. We're creating a business model from scratch, and that requires able, adaptable, intelligent people. Empowering them creates an incredible sense of self-worth. From our perspective, that's the No. 1 way to retain good people, and we've had close to no turnover."

One of his key executives is James Lanthier, Fun's 34-year-old chief operating officer. "Lorne," he says, "is very much the opposite of the joyless workaholic. He is a joyful workaholic. He usually calls me at 7 a.m. on Saturdays to discuss some tax issue and I wonder, 'why did he wait until seven?' You really can't say to Lorne, 'you should slow down and lead a balanced life,' in the same way you wouldn't say that to a lion."

Bay Street's John Albright, a guru and key investor in the innovative Internet industry, sets his watch by Abony's epiphanies. "Lorne's an early adopter and he's always way ahead of the mass market," he told me. "My guess is that Fun will be a multi-billion-dollar company and he will be running it. He wants to be another Bill Gates and has the brains and energy to get there."

A dark, muscular alpha male, Abony wears label clothes but is allergic to ties. He is not a fussy eater, prefers hamburgers (he claims the world's best are from Licks in Toronto) to fancier fare and recently gave up his favourite toy: a Ferrari 360 Spider. (He didn't really have time to use it but also had trouble backing the car into parking spots, since its engine

has no reverse gear.) His happiest decision (April 10, 2006) was to marry Wendy Polland, a luminous model and artist from New Brunswick. "Women have a gut instinct about people," he says. "I use Wendy as a guide. I trust her and rely on her. Wendy is my rounding-out. I feel complete with her."

Abony claims he has no hobbies and follows no fads. His most troubled occasions are the vacations that well-meaning friends and associates insist he takes. In 2004, he went to some island that had beaches (he doesn't remember whether it was Bermuda, Barbados or the Bahamas), quickly found the hotel's windowless business centre, and set up a branch office that included an ad hoc board meeting over a conference line. "I actually get more stressed on vacation because I can't be totally involved," he complains. Abony abandoned that outing after two days and has not taken a vacation since.

Abony's dedication to expanding Fun's assets is so obsessive that he even sold a majority position in his company to escalate its already frantic expansion rate. In March 2006, Fun Technologies became part of Liberty Media, the entertainment empire controlled by U.S. billionaire John Malone, who paid US\$196 million for 51 per cent of the company's common shares. In June, Liberty launched a friendly takeover for the remaining shares of Fun.

That may be Darwinian capitalism at its worst (or best), but Abony remains a true believer in the strict objectivism of American philosopher Ayn Rand. She insisted that faith in Darwinian capitalism must be unimpeded by any sense of sin. It's a bit reminiscent of what natives must have felt about sex before the missionaries came. But it works for Abony, whose harsh life experience has spawned his own stern dictums. "Given my background," he told me, "I have particular contempt for those whose power and wealth are based on inheritance, for those who have been given things without having earned them. I have a particular contempt for trust-fund babies and all of that. I have the odd view that there should be 100 per cent inheritance tax, which would ultimately lead to a complete meritocracy. It would be like an Olympic race where everyone would start from the same place. I have such disdain for somebody whose daddy or grandfather did something and they are now wielding great influence. What a joke, give me a break. The only thing worse are the sycophants who worship them.

"There's personal and professional risk in being an entrepreneur which is inextricably linked to my sense of self-worth," he readily admits. "For me to do something extraordinary, to go beyond my limits, I have to incur some level of professional risk. I'm always comfortable with that because risk is in the eyes of the beholder. If you ask most real entrepreneurs whether they think what they're doing is risky, they would probably say, 'It's not risky -- because I know it's going to work.' I wasn't gifted with superior knowledge or superior intelligence. What I do have is the courage of my convictions, and when I'm following my convictions, I can make anything happen."

Lorne Abony has changed jobs three times, and despite its exploding revenues and bright prospects, Fun Technologies' earnings numbers are still small because he chooses to reinvest the profits back into the company. He is well aware of the high mortality rate in

his high-flying profession. "The flip side of being an entrepreneur," he told me as we finished our interviews, "is being unemployable. I don't even like my own companies when they get too big. But Fun Technologies is changing all the time. It's almost like doing a start-up every day."