

# THE ACCIDENTAL ZILLIONAIRE

Microsoft spawned two billionaires. Paul Allen is the other one.

We grow up hearing, If you're so smart, why ain't you rich? — and the corollary is, If you are that rich, you must be that smart. People want the hugely successful to deserve their wealth; it's not in the American grain to believe in accidental zillionaires. But Paul Allen, the little-known billionaire and co-founder of Microsoft (net worth about US\$3.3 billion, number 11 on the Forbes 400), may be just that.

In the last year or so, Allen has been making sexy, high-profile investments in the infobahn/multimedia/digital-convergence marketplace. He's this year's (and maybe next's) golden boy; he's the object of a flurry of gee-whiz, behold-our-latest-captain-of-industry media attention. He's being touted as the high-tech investor cat to watch.

But this impression of Allen may stem more from the quantities of money he holds than from the qualities he's demonstrated as an investor. Because Allen has so much money, he contaminates technology markets, where he tends to do much of his investing.

People in a position to understand Allen's investments either have deals with him, want to have deals with him, or are part of a deal he is also part of. It's natural to be drawn to glamour, and the reflected glint from all that money contributes to the myth-in-the-making about Allen the high-tech business seer. In fact, Bill Savoy, one of Allen's senior managers, has a name for this phenomenon: the Paul Allen effect. Allen invests in something, and because he invests in it, it's considered to be of value. Recent Allen investments include America Online (Wall Street's current online darling), Metricom Inc. (hot wireless data company), and Virtual Vision (television anywhere!).

His wealth is a lucky trick of time and place, and particularly of his involvement with Bill Gates. While Allen was co-responsible for the early creation and early

technical successes of Microsoft, his tremendous wealth came later. Gates made them both billionaires after Allen left off an active involvement with Microsoft.

Allen's own companies suggest that if he hadn't hooked up with the Jay Gould of our era when they were both teenagers, he might have ended up no more than, say, an engineer at Boeing or an employee at a software company. Allen himself, with characteristic modesty, says he doesn't see himself as a visionary and has never promoted himself as such, though he has harbored entrepreneurial yearnings since high school.

Contrary to the myth surrounding him, Allen has not built a successful company on his own since leaving Microsoft in 1983. While he has recently made some wise purchases, sources within the companies he has started claim another kind of "Allen effect": far from being profitable, these companies are rarely required to come up with products that meet market tests of innovation and timeliness. Scores of former and current employees in Allen's far-flung empire spoke to Wired for this story; most talked under the assurance that their anonymity would be protected, to avoid financial loss (including remarkable severance packages). In most cases, they spoke up out of affection and interest in the truth — and not rancor. But they gave Wired the impression that many of his companies might be better off as foundations than as competitive businesses.

Allen responds to these charges by saying that he is happy with his successes to date, that different kinds of investments merit different measures of success, and that he is in the really nice situation of being able to take unusual or high risks without worrying about quarterly returns or being beholden to stockholders. Or perhaps it's true what F. Scott Fitzgerald said ("Let me tell you about the very rich. They are different from you and me.") — when it comes to Paul Allen, perhaps different rules of engagement and different measures of success apply.

### Buffett/Huizenga/Allen?

Allen, 41, is shy and roly-poly, a nerd nonpareil, resembling nothing so much as a manatee with dancey blue eyes. Former business associates say they have had just-fine one-to-one conversations with Allen, but add that when they have run into him say, in an elevator or some other slightly out-of-context environment,

Allen won't so much as make eye contact or otherwise much acknowledge their existence. Nerd social maladroitness, rather than arrogance, is the key to understanding this bachelor's behavior.

After meeting with him in person, you realize Allen really has little of the arrogant entrepreneur persona. He has the capacity to be humbled before great art, like that of, say, Jimi Hendrix. "Listening to Jimi's music is a very inspiring thing," Allen says. "I'm strictly an amateur musician, but here's someone who is self-taught who did some incredible stuff." And he's earnest, considering himself "fortunate to be present at the start of the microcomputer industry." He adds: "The information superhighway is another such wave; and you don't get a chance to catch two such waves that often." Allen doesn't want to place himself in the class of the idle rich because "the definition of the good life is doing creative things, whether making music, trying to figure out how to do a particular piece of code, or putting together investments."

Allen owns or has the majority interest in several organizations (Asymetrix Corp., Starwave Corp., Ticketmaster Corp., Portland Trail Blazers, Interval Research), has three investment-oversight entities (Vulcan Northwest, The Paul Allen Group, and their parent, Vulcan Ventures Inc.), and has significant investments in lots of other companies. As the number of his tech investments has grown, Allen's ability to be involved in day-to-day operations has diminished. His most successful companies (Ticketmaster, Portland Trail Blazers) are those he bought intact, as well-run organizations with proper management and profit-generating mechanisms already in place.

The companies he has started on his own have not fared as well. Allen's acquisitions and investments suggest the cyber-equivalent of the 19th-century tycoon's practice of owning the cattle, owning the stockyard, owning the railroad that transports the beasts, and owning the meat-packing company that delivers the chipped beef to consumers. In the world of digital convergence, he intends to buy part of the pipe that delivers the goods, part of the content being carried, and part of the hardware and software that underlies it all. Playing the part of a venture capitalist, he is investing in many different companies, with the idea that a certain proportion will fail, some will do OK, and some will generate great returns. Allen says he's aware that because of Microsoft's

success, the public expects he will be responsible for another such home run. However, he says he knows those home runs don't come that often, and he is not necessarily expecting one. Instead, he's looking to create and cross-fertilize interesting ventures.

Bill Savoy, president of Allen's investment organization Vulcan Ventures, says that the philosophy behind Allen's investments is to invest in the ways microcomputers can become more television-like, the ways televisions can become more computer-like, and all the ways products and content can fit into that matrix. Vulcan Ventures takes its name not from the home planet of Mr. Spock, but from the Roman god of the forge. To Allen, Vulcan stands for change, fire, and creation.

Through Vulcan Ventures, Savoy oversees Allen's entire investment empire, involving stocks, bonds, real estate (a ranch in Montana, the largest private island in Puget Sound's San Juan Islands), and the usual high-net-worth individual financial instruments. Savoy exudes nothing more than a cool, matter-of-fact efficiency. He still maintains relationships with the colleagues he outlasted at Layered Inc., an early Allen acquisition that was sold to Peachtree Software Inc. after it fell mortally ill. That's where Savoy first intersected with Allen.

Vulcan Ventures has a staff of 24; among their other tasks is assessing the investment proposals that come Vulcan's way — approximately 1,500 in 1993 alone. Proposals are vetted for financial soundness: potential beneficiaries must be making a product and generating income — Allen is not in the business of providing seed capital. The investments must also be technologically interesting: that they make business sense is not considered sufficient grounds for investment. About 1 percent of those reviewed make the cut.

Savoy says about 20 percent of Allen's net worth is invested in technology. He says that even aside from the \$100-plus million killing Allen made in the stock market with America Online, the Allen companies are up \$175 million from last year. Since details of these investments are largely private, there is no way to confirm or deny these numbers, but Savoy says that Allen's publicly known investments have beaten the market, and his private ones did too, if they could

be compared. Savoy also says that a cable channel is in the works, but he declines to give specifics.

## Synergies

Vern Raburn, president and CEO of The Paul Allen Group, says that the answer to the mystery question Why is Paul Allen all of a sudden making all these highly visible investments? is that Allen now perceives that he can be a major player in the emerging I-way biosphere. Allen says he has dreamed of the "wired world" (you know, the one where you can order a pizza online) since the 1970s; only recently has it seemed possible that the shy and private zillionaire could invest in technologies to make that world happen.

When Allen was scuba diving with Raburn after Gates's wedding last year, he asked Raburn to come work for him. Someone Allen knew in his pre-mogul days, Raburn was also an early employee of Microsoft and had tenures at Lotus Development Corp. and Symantec Corp.; he did some venture-capital work while his wife was at MIT's Sloan School; and he was involved with Slate Corp., a Scottsdale, Arizona, pen-computing software start-up that failed, as have most pen-based efforts.

The Paul Allen Group was formed to provide synergy among Allen's investments: it attempts to foster cooperation among the Allen companies, a la zaibatsu and keiretsu (Japanese practices of investing in other companies), and it fosters cooperation among the managers of the various Allen investments. The idea is to leave Savoy with more of the investment and financial responsibilities, offloading management of Allen investments, once they're made, to Raburn.

## First tries

To deconstruct the myth before it grows into Allen-as-latter-day-J. P. Morgan, consider Asymetrix, the admiral's headquarters on Allen's business net. As the first company Allen started after leaving Microsoft, Asymetrix tried to develop Crucible, an artificial intelligence-inflected, corporate financial analysis tool. (Programmers labored for years without specs or even being told what the first dialog box should say. Sources say Crucible never came close to being released.)

Asymetrix then turned to Toolbook, a multimedia development tool that until May 1994 had not been upgraded in three years. Then there are Compel, a package for multimedia presentations, and InfoModeler, a database front-end tool, reflecting the recent purchase of ServerWare, a little Seattle-area database company. There's a Jurassic Park screen-saver, too. These are not products that would have on their own made Allen's name — or Asymetrix's name. Sources say the products alone, without Allen's money, would not have kept the company afloat, although the company may now be finding its stride.

Asymetrix has been called "the reorg of the month club." It is characterized by high staff turnover; by the unusually strong qualifications of the people who have come and gone; by the plushy accoutrements; and, in years past, by the habit of promoting secretaries to be heads of marketing. Sources say the company has always lost money, anywhere from \$30 million to \$80 million over the course of its privately held lifetime.

Allen refuses to discuss the financial details of Asymetrix, but says that high-tech companies are always competing with other technologies and other companies. "Things can seem exciting first, but then there's a constraint on their success, or the market isn't ready for what you've got."

Sources say Asymetrix is known in Seattle as a "stiff check," meaning working there is like getting a government welfare check. You don't have to leave if you don't really produce, as long as you can manage upward (that is, get along with your bosses and make them look good).

Asymetrix has been headed for years by Bert Kolde, a former Seafirst Corp. bank executive and Allen's roommate at Washington State University. He is the Allen business associate said to have Allen's best interests most at heart. Kolde's presence underscores Allen's trait of seldom trusting anyone who didn't know him before he became blotto with money. But just knowing someone for a long time has never guaranteed management genius, nor does it provide the positive resistance and the ability to say no that true loyalty dictates. At Starwave, former Allen company employees sign agreements stipulating that they will never make disparaging comments about the company, under threat of loss of remarkable severance packages (in other circumstances, this would be called hush money).

Many of the people who leave Asymetrix do so because they want to feel that their work has some meaning, that their tasks can be accomplished without erratic meddlings from higher-ups they perceive to be incompetent. Allen is said not to want to be bothered with the day-to-day direction of the company, but he has dipped down occasionally to make suggestions, often adversely affecting programmer deadlines.

Allen is famously conflict-averse; sources say he hasn't wanted to listen when folks have tried to talk to him about how badly run they feel Asymetrix is.

### Dramatis Personae

Wealthy, private, Allen may have inadvertently surrounded himself with folks whose best interests lie in making sure no reality-testing comes his way. These people may be taking advantage of Allen's tragic flaw, that of not being a good judge of character, to carve out lucrative sinecures of their own. Allen doesn't believe this to be the case and is content with the track record of his managers. He says that he doesn't believe that "anybody has a monopoly on good ideas, and I hope people will tell me if something is screwed up. You want someone who will challenge you back; sometimes that's the way the best decisions get made."

But he may be confusing the kind of intellectual contentiousness characterizing discussions in a dorm on an elite campus — where argument is a favored intramural sport and reality-testing has nothing to do with the fun of the game — with the ability to be confronted with unpleasant realities.

Former employees of Asymetrix tell stories of endless debate-team type arguments where nothing got accomplished and the efforts of the truly innovative were quashed. People who leave Allen's companies are dismissed as "not being with the vision," when in fact, their vision may have been all too clear.

### Business messes

In further assessing Allen as a businessman, it might also be instructive to examine some clear-cut Allen business failures. Early on, Allen's management team invested in — and some say, ruined — Layered Inc., a software company in

Boston. A few years later, the team invested in an amazing high-tech boondoggle called Skypix Corp. This late-'80s satellite broadcasting system had a spectacularly messy flameout. Some sources say that these failures (and the ways they failed) point to intrinsic shortcomings in how Allen corporate culture and management operate, and that they may augur similar screw-ups to come. Others say that anyone is entitled to mistakes in high-risk, high-tech investing.

Layered, a mid-1980s Allen investment, was a Boston-based software company whose founders had been successfully marketing DEC minicomputer-based accounting packages prior to launching Layered. Layered was the first to market an Apple Macintosh-based accounting program, which was generally well received.

The company's founders had tainted reputations in the computer industry: some sources claim they were expert at acquiring venture capital, but not so great at running the company.

Interest in Layered sprang up because, Allen says, "In the early days at Asymetrix, we were focusing on business automation." Allen was also interested in Layered's application of GUIs to business software. He had seen an early version of a GUI on the Xerox PARC Alto in 1981, and thought GUIs were the way to go.

Though the etiology of the ensuing catastrophe is murky, once the Allen financing was in place, things went severely awry. Layered's senior management was fired; Velle Kolde, the brother of Allen right-hand man Bert Kolde, was brought in. Twenty-five percent of the work force was laid off. Development was halted on versions of the product for other operating systems, not a prudent move at a time when no other Windows accounting packages were on the market (the lead developer of the canceled product left to work on Improv at Lotus). General cost cutting was instituted, in curious contrast to the extravagant working conditions at Asymetrix.

Savoy, then a young man in his 20s, emerged from his position as Layered comptroller to become company president. Savoy was said to be knowledgeable about accounting, but not necessarily about computers or the Macintosh market. With little direction from Allen's management team, the company



drifted. Savoy was charged with selling what was left of Layered to Atlanta-based Peachtree Software in 1989.

## Up, up, in the sky

Another business failure was Skypix, the investment that first got Allen jazzed about investing in the information superhighway. Allen says that the missing link for the information superhighway was high bandwidth into the home, which got him looking at direct satellite-broadcast systems. Skypix's *raison d'être* was to provide these pay-per-view capabilities for the home market. But Skypix also turned out to be more business operetta than deal-of-the-century. Formed in 1988 with \$30 million from mostly Seattle-based investors, Skypix continually missed deadlines and lied about the state of its finances, manufacturing, and marketing until it went into bankruptcy in 1992. The company now faces roughly \$400 million in claims against it.

Sources say that Allen found the Skypix data-compression technology "cool." That "coolness" was for him sufficient reason to make an initial investment of \$10 million. They also say that the Skypix technology was indeed credible, although by 1990, many in the engineering community began to have serious, never-to-be-answered questions about how technologically feasible it truly was. Savoy says that little was known at that time about just how sleazeball the Skypix entrepreneurs — brothers Frederick and Richard Greenberg — were.

Allen was not alone in his enthusiasm for Skypix: Comsat Video Enterprises and GTE Spacenet had dealings with this Crazy Eddie-ish fiasco-in-the-making. Compression Laboratories Inc., an established videoconferencing manufacturer, was supposed to manufacture decoders. (It later became one of the many corporations involved in lawsuits against Skypix founders.) Mitsubishi International Corp. agreed to manufacture the home receiver units. Warner Brothers and other Hollywood studios got in on the act as content providers. Even TCI's John Malone offered his cable empire as a testbed for Skypix.

Yet, had any of these companies done their homework, they would have been, at the very least, titillated by the true-life saga of the founders of Skypix, the brothers Greenberg. By the time of the Skypix bankruptcy, the Securities and

Exchange Commission and a federal grand jury were looking into Greenberg scams, for the brothers had participated in an array of questionable activities. To mention just a few: the FDIC froze their assets and limited partnerships after the failure of the Bank of New England; a Florida court forced Chapter 7 bankruptcy on the Greenberg venture after 27 plaintiffs were awarded damages in a Florida real estate deal; the US Office of the Comptroller of the Currency shut down First City National Bank & Trust of New York in 1989, where Fred Greenberg had been chairman for four and a half years.

After years of missed deadlines for product and service rollouts and endless management churn, by 1992 Skypix had begun to collapse. For lack of payment, Skypix lost access to its ten Hughes Ku-band satellite transponders. The Home Shopping Network pulled out of a \$30 million agreement, suing Skypix for an unpaid \$6.2 million loan. The Greenbergs were hit with SEC investigations.

Savoy now says he and Allen knew Skypix was a 10-to-1 long shot at the time. But long shot or no, Allen was still sufficiently committed to the enterprise that he at one point was proposing to salvage the company through alternate bankruptcy reorganization plans that he devised and presented to the judge.

Post-Skypix, Allen is said to have become a much smarter investor. One venture-capitalist who has dealings with Allen says that his investments have become much more astute, and Raburn says that Allen has "gone through a growth process; characterizing him as he was two years ago wouldn't be fair."

Allen himself has said that what he learned from Layered and Skypix was to be more careful about choosing partners.

## Other outposts

One of Allen's newest wholly owned companies is Starwave, which he plans to make into his multimedia content provider. Starwave is headed up by Mike Slade, another early Microsoft employee who left to work at the company Steve Jobs started after Apple, NeXT Computers. Starwave's mission is to envision products and services as if bandwidth were infinite and free — in other words, as if there were no technological and financial limits to how titles and services could be produced and delivered. Starwave content could be anything from

children's games on CD-ROM to Hollywoodish productions. Its first offering is an online sports service through Ziff-Davis Interactive's Interchange Online Network that will compete with Microsoft's Complete Baseball. Starwave has also announced the development of an online service for lovers of outdoor sports in cooperation with Outside magazine.

As with other wholly owned Allen ventures, it's not entirely clear whether Starwave is really supposed to make money, or in any way subject itself to bottom-line disciplines. Allen says that he does want his companies to make money as well as be technologically innovative; but sources say that in other moods he admits to being more truly concerned with his companies' technological finesse. These mixed messages have no doubt contributed to the confusion and exasperation former Allen employees, at Starwave and Asymetrix, have felt. Sources say employees are already either being forced out or are trying to find ways out of Starwave. It will be interesting to check back in a year to see what Starwave has actually produced.

And the winners are

Perhaps Allen's most successful property to date in Info-Hiway-Land is his \$300 million, 80-percent interest in Ticketmaster. Ticketmaster gives Allen both recurring revenue streams and a working transaction engine, perfect for prototyping various kinds of interactive services and electronic shopping. Not to mention the emotional appeal of such a company for a man as in love with sports as is Allen.

The pre-Allen Ticketmaster was already exploring joint ventures with Time Warner Cable for an interactive home-shopping service, and America Online has an agreement with Ticketmaster and the Chicago-based Tribune Company to sell tickets in Chicago and Florida as part of the deal. Ticketmaster was probably glad to have Allen as its main investor, for while it has nationwide dominance in ticket sales, it needs deep pockets and technological expertise to move beyond the rather flat market it now owns for plain-vanilla admissions to events. It recently partnered with music divisions at Time Warner Inc., Thorn EMI, Polygram, and Sony Corp. to create a rival to MTV.

Ticketmaster has been slapped, however, with a variety of antitrust suits alleging kickbacks to promoters, excess service charges to consumers, and other not-nice business practices.

One unqualifiably successful property for Allen lies pretty much outside the realm of the wired world but within the realm of pure Allen joy: his \$75 million ownership of the Portland Trail Blazers. Allen took a winning basketball franchise that had been well-run for years and didn't mess with a great formula: the Blazers had 769 consecutive regular season and playoff sellouts through the 1993-94 season, a record unequaled by any other NBA team, ever. Allen is said to show up for most home games and to invite the players to frolic at his Mercer Island mansion once a year.

Not only is Allen the wealthiest owner in the NBA, he is the wealthiest team-owner in all of the four main US spectator sports. Some sources say those in the Blazer organization, aware of the Allen touch in other businesses, live in dread of the day that people from the Allen organization decide to take a more activist, hands-on role with the team and half-joke about the arrival of monsters driving south to Portland on Interstate 5 from Seattle.

The Rose Quarter, the Blazers's new 20,000-seat arena and sports complex, is the most technologically advanced and expensive arena in the NBA. No less than \$46 million of the more than \$262 million for the arena, scheduled to be finished in time for the 1995-96 season, came from Allen.

### The brains of the outfit

Perhaps the most rarefied of Allen's business units is Interval Research, Allen's own private \$100 million think tank. (Now, there's a rich-guy toy not available through The Sharper Image.) Sources say this is the Allen business entity that may come the closest to succeeding, because it is in the greatest alignment with Allen's true nature: his affinity for technology R & D.

Interval came into being in part, it has been said, because Allen was concerned about the decline in funding for R & D in the United States, whether in universities or in the corporate world, such as AT&T's Bell Labs. While Allen doesn't bristle with intellectual energy, he says he left Microsoft because, at the

time, he was stuck working on the next versions of unchallenging Microsoft programs. "Blame me for having to type the backslash in DOS," he jokes. Microsoft didn't have a true R & D department at the time.

Headed by David Liddle, who was aggressively recruited for the job, Interval's mission is to be self-funding in ten years, supporting itself from the licensing fees its inventions generate. Operating with great secretiveness, Interval has a reputation, depending on whom you talk to, for having hired either the best and brightest on the cyber frontier, or folks who couldn't get a job elsewhere. And the institution of Interval itself poses fundamental questions: can a think tank operate successfully as an extension of one man's mind, whether Allen's or Liddle's? Allen is said to want Interval to pursue some of the computing-research interests and problem areas that concern him; Liddle, similarly, is said to hold fairly direct powers of pruning and oversight over Interval staffers. This is a model quite different from what holds at other research institutions, where those chosen to work there are often left on their own to stumble serendipitously into the good stuff that matters.

### Character revealed

As deeply as Allen cares about R & D, his great love is music. "I certainly loved writing code, but if I had to stop playing guitar, and if you were to ask me a year later if I missed it — well, [as] an outlet there's no equivalent to music." He hopes his band will eventually be good enough to stand to hear itself on CD: like all garage bands, it has played at a few parties and wedding receptions.

Allen has proposed a 100,000-square-foot Jimi Hendrix Museum, slated to open in 1997. The museum would use computers and synthesizers and multimedia to explicate displays of Hendrix's memorabilia, music, roots, and life. Hendrix's Electric Lady Studios would be recreated, as would a reconstruction of the backstage of a concert. Exhibition space would be provided for other Northwestern musicians and other music-related subjects. There would be the usual round of museum-type activities: concerts, film series, lectures, and programs in the schools.

But there's a subtle contradiction built into the project: in recreating the Hendrix experience (as in the name of Hendrix's band, as in the Hendrix song,

"Are You Experienced?"), the museum will not necessarily be building drugs and dissolution into the museum-goers' experience. Great rock and roll in the Hendrix era (and maybe in any era) was precisely the music of outsider sensibility, of unconventional, even unsavory ways of being, the soundtrack to a travel documentary on all the nifty places drugs and outre sexual practices can take you.

The Hendrix Museum serves as a pointer to who Allen really seems to be: he means well but has more money than vision. It is premature to talk about what will happen with his major investments: perhaps the ways of doing business that have hobbled Allen's previous ventures won't prevail. Perhaps he has learned from failures such as Skypix. Maybe through contact with such sharp corporate operators as Ticketmaster President and CEO Fred Rosen, Allen and his organization will be able to create companies that thrive with good employees who are happy to stay at them. Perhaps with decent financial-oversight mechanisms in place, Allen will stumble no more than any other investor who has his shares of both hits and misses. And who among us would want to be judged only on the screw-ups in our past and be denied the capacity to learn from mistakes?

But the operating metaphor for Allen might be that of an ascendant to the throne of the ancient Persian Empire: a ruler who, not quite sure how to deal with the power and wealth he has been blessed with, ends up surrounded by courtiers who intrigue among themselves and manage the kingdom to their own benefit. Meanwhile the Emperor, who'd rather be playing his zither or fooling with one of those clever machines his Greek tutor invented, occasionally checks in to see what his lieutenants are up to. And the empire has so many resources, that even when they are squandered, the Emperor is effectively buffered from the consequences of his decisions.

### Let's Follow the Money

The companies listed here are merely those that are visible in Allen's portfolio now; Allen is said to be making, additionally, up to 30 investments per year, averaging \$5 million each. The total count of active investments is 25. In fact, sources say that in the Pacific Northwest, it's hard to find a company Allen

doesn't have a piece of. These start-ups may be grateful for cash they couldn't acquire elsewhere, but end up dismayed by the management directives (from Allen's management team) they end up being saddled with. Still, what doesn't kill you may make you stronger; since there is never enough cash for enterprise, there are rewards to enduring management vagaries.

No doubt, other companies and deals and synergies will be announced after this article goes to press but before it appears in print.

**America Online (Vienna, Virginia).** Allen's 1992 investment started at 24.9 percent, then dropped to 18 percent. An initial \$30 million has increased in value to between \$120 million and \$130 million, depending on America Online's stock price. An online service that was the only pure-play available in this sector, America Online and Allen put each other on the map. Because Allen bought such a huge stake in the company, the financial hive-mind decided that it must be a good investment. This drove the stock price up, which de facto did make it a good investment: America Online stock has risen almost sevenfold since it went public. Conversely, many people had never heard of the very private Allen until his deal with America Online, which was the first online service to achieve the cachet of the hula hoop, The Breeders single "Cannonball," or the cellular phone (fun, easy-to-use, trendy as hell).

Allen wanted to buy the company outright, which America Online management resisted, adopting a poison pill to keep him away. Sources say that the company and its other investors were perturbed not just at the thought of any takeover, but particularly at a takeover by Allen himself: they were well-acquainted with the potential downside of Allen-derived management. In any event, America Online denied Allen a seat on its board of directors. Disappointed because he couldn't make enough synergies happen between America Online and his other companies, or for other reasons (increased competition and other factors may cost America Online its lustre as an investment), Allen may be looking to sell his stake in America Online.

**Cardinal Technologies (Lancaster, Pennsylvania).** Allen's investment of \$15 million gave him a less than 20 percent share. A former modem manufacturer, Cardinal is a supplier of sound cards and multimedia upgrade kits, including

DSP (Digital Signal Processor) technology that is software upgradeable. A company created through managers buying out RCA's New Products Division, at bottom what Cardinal really offers to Allen is manufacturing capacity. As we went to press, Vern Raburn was acting CEO, and Cardinal still wasn't being mentioned in the same breath as Creative Labs or MediaVision, the dominant multimedia upgrade-kit makers.

Darwin Molecular Technologies Inc. (Bothell, Washington). Allen's \$5 million stake matches Gates's investment. This two-year-old biotech start-up intends to use DNA sequences in the human genome to create remedies for AIDS, cancer, and auto-immune diseases. Leroy Hood, one of Darwin's founders, was recruited by Gates from the California Institute of Technology in 1992 to head the Department of Molecular Biotechnology at the University of Washington. The company was co-founded by the former chairman of Cetus, one of the original biotech start-ups, and is said to use techniques of molecular evolution — survival of the fittest compounds — to discover drugs. Stay tuned to see if Darwin meets its target date of 1996 for testing its first drugs.

Harbinger\*EDI Services (Atlanta, Georgia). The amount of Allen's original investment remains undisclosed, but has given him an 18 percent share. Founded in 1983, the company offers Electronic Data Interchange software, which makes it possible to route electronically such business paperwork as order forms. The company also runs its own EDI-based network, with 7,000 corporate subscribers. Revenues are between \$10 million and \$20 million per year. Has licensing agreements with Sprint to target Western companies doing business in China. Computerworld readers gave a Harbinger product the highest rating in its category. Might be a strategic fit with Telescan.

Lone Wolf (Seattle, Washington). Allen's investment undisclosed. This start-up developed a real-time networking protocol (MediaLink) for wired or wireless transmission, useful to the music business, whether in audio equipment, musical instruments, CD-ROM drives, or video cameras. Its Visual Network Operating System makes it possible for programmers to write applications to interconnect these devices. Think of it as 22nd-century MIDI. Tina Turner and JBL are among the early adopters of Lone Wolf technology. One big upside of



this technology is its potential application to home automation. Imagine your heater talking to your air conditioner and your room lighting.

**Metricom Inc.** (Los Gatos, California). Allen's \$27 million garnered him 17.5 percent. One of the few pure-plays available (other wireless providers were owned by big corporations) in the wireless communications market, Metricom specializes in low-cost microcellular technology (unlike conventional cellular, it relies on lots of little cheap cells scattered across a campus or city), used Apple Computer as a pilot site, and has had serious involvements with utility companies such as Southern California Edison. Since it went public, Metricom is much beloved by the investment community. Might offer synergy with Lone Wolf or Starwave.

**Microsoft Corp.** (Redmond, Washington). The value of Allen's holdings depends on the stock price that day; his share amounts to 13.4 percent. What can be said? He is still on the board of directors, and he and Gates are friendly competitors in terms of fancy boats and cars purchased and manses constructed. Allen started out with a lower proportion of the stock than Mr. Bill, who later talked him into taking an even smaller portion. Sources say that an original non-compete agreement about not raiding each other's companies for employees has soured into a situation where efforts are made to prevent ex-Asymetrix employees from being hired at Microsoft.

**Nationwide Wireless Network** (Jackson, Mississippi). Allen's \$10 million bought him 3 percent to 4 percent. Nationwide Wireless Network is a new venture being jointly developed by Microsoft and Mobile Telecommunications Technologies, known as Mtel, the largest paging company in the United States. As the name implies, NWN will be a national wireless data (no voice) network. It will not have to go through the FCC spectrum auctions later this year — an exclusion grandfathered in through a "final pioneer's preference." NWN's estimated time of arrival is the second half of 1995; the network covers the top 300 US markets. Gates also invested \$10 million.

**STATS Inc.** Or Sports Team Analysis & Tracking Systems (Skokie, Illinois). Allen's investment not disclosed. Named in Inc. magazine's 1993 list of the 500 fastest-growing private companies in the US, STATS compiles, analyzes, and

distributes sports statistics to professional teams and media such as the Associated Press, USA Today, and ESPN. STATS provides an astonishing degree of granularity in its data stream (for example, it tracks the direction, velocity, and distance of every batted ball). The company makes interactive baseball software for the Apple Newton, publishes books annually (The Scouting Report: 1994, 1994 Football Book), and provides online and facsimile football and baseball services. It also offers fantasy (rotisserie league) baseball, football, and basketball. Starwave is using STATS data for its sports online service; STATS is another natural, given Allen's love of sports and the company's comfort with technology.

**SureFind Corp.** (Seattle, Washington). Allen's investment not disclosed. Originally started as an automated alternative to classified advertisements, the company ran into serious snarling from newspapers, which were aghast at what this upstart might do to their main revenue base. The initial incarnation of the SureFind technology used touch-tone telephones to navigate through real estate listings selected by size, location, and price; the service faxed or called clients if likely new properties came on the market. To protect their turf, Seattle newspapers refused to run SureFind ads in their real estate classifieds sections. In the spirit of If you can't beat 'em, join 'em, SureFind has now positioned itself as a supplier of its telephone-based, consumer-database search service to newspapers and major catalog retailers. Now in talks with Egghead and Ticketmaster.

**Telescan Inc.** (Houston, Texas). Allen invested \$2.8 million for a 14.6 percent share. Best known for its interactive online financial analysis services, whether for companies such as Charles Schwab or for individuals. Telescan joint ventures include American Institute of Architects Online, Editor & Publisher Online, BPI Communications (Hollywood Reporter Online, Billboard Magazine Online). In addition to the normal keyword-search capabilities of most online reference services, Telescan makes it possible for people to interrogate databases using natural-language queries, so that software can respond with responses weighted according to their relevance to the search. In other words, something akin to meaning can be factored into trips through Telescan infobanks. Its subsidiary, Knowledge Express Data Systems, hosts online

services for technology licensors (Licensing Executives Society, the University of California) and is involved in defense-conversion work in the Philadelphia area.

Virtual Vision (Seattle, Washington). Allen's investment undisclosed. Drawing on work done at the University of Washington Human Interface Technology lab, Virtual Vision makes glasses that enable people to watch television or other video images while doing something else. Like, say, actually attending the football game they're watching on TV, or having a root-canal done while they're watching a videotape of Hell in the Pacific. A wireless version of the product is in the offing; the existing product was mentioned in the "[Fetish](#)" section of an early issue of *Wired* (*Wired* 1.2, page 31).

### Street Myths About Paul Allen

Visionary. In a small way. He did have the original technical ideas behind the early Microsoft. And DOS, the Microsoft product that has made the company's fortune, was purchased from outside Microsoft — its business brilliance lay in how it was marketed to IBM and beyond.

It's been suggested that Allen's current investment strategy consists of searching for another DOS — i.e., a fortunately purchased technology that turns out to be seminal (Allen does say he isn't expecting such a windfall twice). It is true that Allen was interested in both GUIs and multimedia in the mid-1980s, years before these technologies were familiar to the mass of humanity. They were also then familiar to and of interest to the thousands of other technologically astute, computer-aware folks on the planet — technology workers who, like Allen, were regularly exposed to the far-out fringes of techno-thought. His current investments in convergence and online technologies make sense, but given his background, they're not that surprising: the kinds of investments Allen is making are where lots of investment capital is now flowing. It's hard to find anyone, after all, who is still investing in minicomputers, and pretty easy to find investors for, say, 3DO.

Likes rock and roll. True. Said to have a professional-grade recording studio at his house, and to play at guitar — with a passion. Now funding a Jimi Hendrix

museum in Seattle; agreed to be interviewed for Rolling Stone, in spite of his famous reclusiveness and discomfort with the press, possibly because of his rocker yearnings.

**Socially maladroit.** True. Notoriously shy and ill-at-ease. What many people have interpreted as cold-ness is more likely the ineptness at human contact that comes from nerd-bashfulness. His demeanor is even said to have lost him a major business deal because of his inability to be personally forthcoming, make eye contact, project himself with strangers. Still, many people who know the man like him, asserting that he is a nice guy. Unlike Gates, whom no one has ever called a nice guy, but whom everyone perceives to be an interstellar business champ.

**Loves sports.** True. Has a professional-level basketball court at his house, part of a recreation complex that he occasionally opens up to Allen company employees, and occasionally plays there himself. His love of sports informed his recent majority purchase of Ticketmaster, solid investment opportunities aside. It makes for a vertically integrated sports operation: he owns a team, he owns part of a stadium (Allen is currently helping build a new sports complex in Portland, the Rose Quarter), he owns the place to get tickets from, and he owns a service that gives out electronic information about it all.

**Close to his family.** True. Unmarried, Allen turned to his sister Jody Allen Patton to manage his foundations; she is also senior vice president of the Oregon Arena Corporation and executive director of The Jimi Hendrix Museum. Mother Faye lives in a library-that-masquerades-as-a-house on Allen's compound. Perhaps his single biggest charitable contribution — \$10 million to the University of Washington library — was made in the name of his beloved late father, himself an associate director of the library.

**Amateur astronomer.** True. Among other acts of largesse to the astronomy community, contributed to the private-sector rescue of the SETI (Search for Extra-Terrestrial Intelligence) Institute (Mountain View, California). SETI uses radiotelescopes to observe the 1,000 closest stars for signs of civilization; originally funded by NASA in 1992 to run for a decade, Congress canceled SETI funding in October 1993.

Recovered from Hodgkin's disease. True. Some say his bout left him just wanting to have fun. Others say it left him wanting to leave his mark. This might mean coming up with a technology universally acknowledged by those who know about it as cool, whether or not the technology becomes a commercial success. Still others who want to accord him the trappings of hippie right-livelihood say he wants to give something back to the community that gave him his gazillions, and so would like to create software tools or products that will enable others to similarly make their fortunes.