

The \$12 Billion Education of Paul Allen

His Wired World vision was a bust. Now Microsoft's co-founder is making safer bets on energy, insurance, and health care

LIKE MUCH OF BILLIONAIRE Paul Allen's empire, the Portland Trail Blazers have burned through mountains of cash. The NBA team lost an astonishing \$100 million last season, more than any other sports team in history. One player bickered with the head coach and made obscene gestures at fans. Four others were cited for drug possession, and another arrested for spousal abuse, earning the team a new moniker -- the Jail Blazers. All the while, Allen seemed to be in denial. This season, he finally faced reality. He cut a third of the staff, hired a new general manager, and traded away two of his most talented, but troublesome, players. In February, Allen sat courtside to cheer on his new-look Blazers, pumping his fist when the team hit three-point shots and grumbling when refs made iffy calls. "Sometimes, it can be wrenching," he said of the changes. "But it's for the good of the franchise."

Chalk up another lesson in the \$12 billion education of Paul Gardner Allen. In the last five years, the "other" Microsoft Corp. co-founder has squandered more than a third of his fortune, which peaked at an estimated \$30 billion, buying chunks of tech and media companies in pursuit of his vision of a "Wired World." His idea was that as the Internet, cable TV, and entertainment were converging, the technologies propelling the trend would become gold mines. But the strategy crashed along with the tech boom, its demise compounded by Allen's missteps. Often, he paid wild prices for harebrained schemes. Other times he bought too soon. Frequently, he was just an investor and not the sole owner of many of

the key companies that were in his empire. As a result, some top executives balked at deals that might have delivered the synergies that Wired World needed because they ran counter to the interests of their own shareholders. For example, he routinely clashed over strategy with the former chief executive of Charter Communications Inc., Jerald L. Kent. In his first interview about his investments in four years, the intensely private Allen acknowledges the anguish: "I can't claim it was a pleasant experience."

BITTER PURGE

FOR YEARS, IT seemed that losses didn't matter much at all to Allen. In fact, he never made any effort to explain them. "Paul doesn't bury the dead very well," says James A. Billmaier, CEO of Allen's Digeo Inc., which makes software for cable set-top boxes. But it turns out that Allen, who often appeared disengaged, agonized as the losses mounted. "It has been a crucible," says his college roommate, Bert Kolde, chief operating officer at Digeo, who still gets together with Allen for a regular game of chess.

Now, the 51-year-old Allen is doing to his portfolio what he has done to the Blazers: ripping it apart, dumping the bad apples, and starting anew. He appointed his sister, Jody Patton, who had earlier managed his philanthropy, as CEO of his investment vehicle Vulcan Inc. Last September, he let go his longtime investment chief, William D. Savoy, leaving management of the portfolio with Nathan Troutman, whom he

hired from Greenbridge Partners LLC, one of his outside investment advisers. Troutman's team spent months dissecting Allen's vast holdings. Their advice: Cut your losses and diversify.

Allen unloaded dozens of slumping investments and wrote off many more. He pared his portfolio to just over 40 companies, from 100 before. What he kept is a collection of tech prospects, sports properties, real estate, and media companies -- such as cable giant Charter, Hollywood studio DreamWorks SKG, and the Oxygen Media cable channel -- that the new team believes will eventually pay off. "Over the last couple of years, we drank some castor oil," says a relaxed and often self-effacing Allen in his downtown Seattle office. "It doesn't taste good going down. And you don't really relish drinking any more."

"Over the last couple of years, we drank some castor oil," says Allen

The bitter purge has all but eliminated Wired World from Vulcan's vocabulary. Says Troutman: "It's a great vision. But it's not an executable investment strategy." While Allen will still make the occasional tech bet, his managers are under orders to preserve capital and produce solid returns. That means they are kicking the tires at scores of companies outside the tech

sector. Instead of the exciting challenge of plugging in another piece of the Wired World, it's the mundane task of diversifying the portfolio and maximizing returns. If anything, it's even more of a snore than that. "I told Paul: I want to treat you like a CalPERS," says Troutman, referring to the giant California public-employees pension

fund.

Techdom's ultimate high-risk gambler of the '90s has been reincarnated as a play-it-safe investor. The change couldn't be more profound. Last November, in his first bid since the tech bubble burst, Allen made an unsolicited offer for, of all things, a Houston oil-and-gas producer, Plains Resources Inc.. Plains rejected his \$336 million initial offer but may be won over with a sweetened \$445 million bid, although another company, Leucadia National Corp., has made a rival offer. If the deal goes through, it would be a big step toward diversifying Allen's investments into a host of new industries, such as energy, insurance, and health care.

Allen, who had long suffered from a sort of investor's attention deficit disorder, has made a big effort to become more focused. Never married, he says he is spending more time than ever on his investments. He holds weekly meetings with his financial advisers; before, he met with them only on an ad-hoc basis. Now he lunches with the senior members of his investment team every Monday to get updates on deals and discuss strategy. Allen holds another weekly meeting to catch up on developments at Charter, his biggest holding after Microsoft. "I've been through the fire in the last few years," says Allen. "Now I get involved and ask questions that are a lot more pointed and specific and probing -- and, I think, insightful."

GUT CHECKS

With Allen's sharper focus has come much more discipline. In two years, he has quadrupled the size of his investment

group to 30, paying Wall Street-style packages to young execs from the likes of Morgan Stanley and Goldman Sachs & Co.. And he's pushing them hard. For each of the 300 companies that Vulcan eyed last year as possible investments, his team produced three-page reports analyzing financials and outlooks for their industries. The best prospects got a 30-page report that went to Vulcan's investment committee. For those that made the cut -- just 30 in 2003 -- the advisers compile 300-page reports, complete with forensic accounting and background checks on management. Only then could a company get money from Vulcan; just a dozen or so did last year. "We're just so much more thorough, meticulous, demanding, and focused now than we were just a few years ago," says Allen.

Allen's real estate holdings have taken on a new lease on life, too. Over eight years, he spent more than \$200 million acquiring 53 acres along Lake Union just north of downtown Seattle. But his plans for the down-at-heels neighborhood of aging factories, warehouses, and parking lots never got off the ground. Now a project to build a biotechnology hub there with space for apartments and stores is gaining momentum. Major tenants such as the University of Washington's medical research program and Rosetta Inpharmatics LLC, a unit of Merck & Co., have signed up. "There is a big opportunity to make the



REBOUND
Allen cleaned up his ill-fated Trail Blazers team

whole greater than the sum of the parts," says Ada M. Healey, Vulcan's real estate chief.

The devastation of the tech bust led Allen to some serious soul-searching. Last fall, he distilled his thinking into a 26-point memo setting out ways to improve his investment management and sent it to Vulcan's 450-person staff. At first blush, it reads like a grab bag of business aphorisms. "Revise your theories," says one bullet point, meaning rethink your strategy if your investments turn sour. "Protect the downside," says another, urging workers to figure out worst-case scenarios. But Allen insists that, corny as such points may sound, they are a framework to guide him and his advisers. "In retrospect, everything becomes clear," says Allen. "If I had been more deeply involved in some of these things and thought through them more, maybe there would have been different outcomes."

Already, some outcomes are changing. One of Allen's bullet points is a reminder to "negoti-

Big Losers

Paul Allen invested in dozens of companies, but just two of them accounted for nearly two-thirds of the \$12 billion he has lost in pursuit of his Wired World dream:

	AMOUNT PAID	ESTIMATED VALUE	LOSS
CHARTER COMMUNICATIONS Allen's 60% stake in the cable operator has fallen 75% in value. The stock is up this year, and some analysts say the recovery could continue as the company restructures its \$18.6 billion in debt and stems customer defections to satellite TV.	\$8 Billion	\$2 Billion	\$6 Billion
RCN In January, Allen sold 40% of his stake in the cable, phone, and high-speed Internet services outfit for just \$2 million. The rest is probably worthless: The company expects to file for bankruptcy to escape from \$1.6 billion in debt.	\$1.7 Billion	\$0	\$1.7 Billion

Delia Companies, BusinessWeek



CHRISTENING
Allen in 2000 at his music museum

ate hard" but walk away from overpriced deals. He did just that in January with a small company called Magis Networks Inc., which makes technology to deliver high definition-TV data wirelessly. He lost his initial investment when Magis filed for bankruptcy in December. Allen still liked the technology, so when a court auctioned the company a few weeks later, Troutman bid aggressively -- but walked away when the price got too rich, leaving Sanyo Electric Co. to buy it for \$3.5 million. "We did a gut check with everyone, including Paul, and decided to pass," Troutman says. "In the past, they may have chased that bid a little further. Not this time." Adds Allen: "I wish we had the 26-point memo five years ago. Things would be in a different place today. Those lessons were learned at a significant cost."

There was certainly no shortage of lessons. All too often, Allen saw only the benefits of acquiring the pieces needed to build Wired World, ignoring any downside. "He didn't

focus on the risks," says Michael Yagemann, a partner with Vantage Point Venture Partners, who has advised Allen on every one of his major deals over the past decade. Allen jumped into satellite broadcaster SkyPix in 1991, four years before that business took off. He lost about \$500 million on Metricom Inc. which tried to roll out a wireless data network in the late '90s before wireless hot spots became the rage. In 1999, he lost millions more on Pop.com, which promised online movies before high-speed broadband connections were common. "A lot of those investments were ahead of their time," says Microsoft Chairman William H. Gates III, who just returned from a Bahamas vacation with his high-school buddy Allen. "He was brilliant, naive, and too early."

Nowhere was Allen's timing worse than at Charter, the sinkhole that swallowed half of the \$12 billion he lost. In 1998, he decided that to bring Wired World to life he needed to own the high-speed wires that would deliver the information and entertainment

he expected consumers to crave. He spent nearly \$8 billion gobbling up cable companies under the Charter banner. But he bought near the top of the market. Worse yet, the companies were loaded with debt. And in August, 2002, Charter disclosed that it was the subject of criminal and regulatory investigations into its

accounting. The company says it is cooperating with the probes and has fired two senior officers. Bottom line: Allen's Charter investment is worth just \$2 billion today. "It has been educational," says a chastened Allen. "I would say I definitely understand debt-related issues incredibly better now than I did before."

Not all of his investments tanked. Allen put roughly \$170 million into Ticketmaster in 1993 and collected \$568 million when he sold in 2002. He also launched Starwave Corp., one of the first Internet content sites and, in 1992, the first home to ESPN Inc.'s

sports coverage on the Web. Five years later, he sold it to Walt Disney Co. for about \$200 million. And Allen was an early investor in priceline.com Inc., the online travel site, handing the company \$30 million in 1998 and collecting \$125 million when he sold two years later. DreamWorks is shaping up to be a doozie. Next year, he'll get back the \$675 million he invested in 1995 -- and keep a 24.5% stake, which bankers estimate is today worth nearly \$900 million.

\$200 MILLION YACHT

Despite all his travails, Allen is still the third-richest person in the country with an estimated \$18 billion fortune, including about \$3.8 billion worth of Microsoft stock. That's more than enough to support a variety of indulgences. Allen lives on a six-acre gated compound -- where his mother and his sister and her family also have homes -- on Seattle's tony Mercer Island. He loves to root for the teams he owns, the Trail Blazers and Seattle Seahawks football team. In his spare time, he plays guitar in his own rock band, the Butcher Shop Boys (known for butchering songs, he says). He also founded his own music museum, Seattle's Experience Music Project. When he's not hosting his own parties in Cannes or Venice, DreamWorks gives him entrée to the best ones in Hollywood. Earlier this year, he took delivery of a 413-foot Octopus private yacht, the world's largest and -- at more than \$200 million -- most expensive that comes with its own submarine and recording studio. He's also a generous donor, ranking 17th on BusinessWeek's list of leading American philanthropists, supporting land conservation, universities, and libraries in the Pacific Northwest.

Still, the wide variety of his enthusiasms has some critics wondering just how much Allen has changed deep down. "I'd be a healthy skeptic," says the CEO of one of Allen's former investments. Some former execs at Wired World companies often complained that Allen never paid close attention to their businesses. "Paul would disappear for a while," says a CEO of a onetime Wired World company who asked not to be named. "Then, he'd drop in and want to know everything." Today, Allen recognizes that he often left key decisions to others, but insists he's a changed man. "I wasn't doing a good job back then allocating my time to the things that [would produce] the highest return or were the largest scale or of the most importance. I

"I'd be a healthy skeptic," says one CEO of Allen's new strategy

think I do a much better job of that now."

Some former employees also question the appointment of his sister as CEO of Vulcan in June, 2001. At the time, her senior management experience was limited to running his philanthropy. Several former employees complained she could be imperious and unpleasant, which they say poisoned the work atmosphere. Patton says her management style is "tough but fair." She laid off 100 Vulcan workers shortly after taking over. And she rankled others with one habit she has at meetings: A board member of the Oregon Shakespeare Festival, Patton will sometimes put together a list of the people around the table at Vulcan meetings and then draw lines to the Bard's corresponding characters.

But critics' biggest worry is that Allen



ALL IN THE FAMILY As CEO of Vulcan, Allen's sister Jody let go 100 workers

might again fall victim to technical flights of fancy if his inner nerd bursts out. The development of FlipStart, the world's smallest fully-functioning PC, has cost him millions. Some analysts doubt that the device has much of a future. Others slam Digeo's

latest advances. Digeo plans to announce a commercial rollout of boxes with an existing cable operator as well as an agreement with another to try the technology. In any event, Allen's legacy as a tech visionary was sealed 30 years ago. As a programmer in Honeywell International Inc.'s (HON) Waltham (Mass.) office in 1974, he came across a cover story in Popular Electronics about the first mass-market personal computer, the Altair 8800. Allen ran across Harvard Square to tell Gates, who was then

a student at Harvard University, that the computer revolution the two of them had dreamed about in high school was about to begin. Within weeks, Gates dropped out, and he and Allen created Microsoft.

Early on, Allen was every bit Gates's equal in vision, drive, and technical chops. But in 1994, Wired magazine labeled him the "accidental zillionaire." He bristles at any notion that his fortune was mere luck: "I founded Microsoft with Bill. I worked on a lot of the initial ideas and wrote the code." Gates concurs. "The company was founded by two friends who worked together 18 hours a day and discovered computers together. The company wouldn't have happened without the kind of thinking and brilliance that Paul brought to it." Allen adapted the BASIC programming language that led to Microsoft's first product. In 1980, he brokered the purchase of DOS, the operating system that is the foundation of Microsoft's success. And he was instrumental in negotiations to provide software for IBM PCs, a deal that ultimately put Microsoft at the center of the PC boom.

Allen left Microsoft in 1983 after a life-threatening scare from Hodgkin's disease. When he recovered, he decided to set out on his own and tap his Microsoft fortune to pursue Wired World.

That dream didn't pay off. In fact, Allen plumbed a new low just as the Trail Blazers did. But at a recent game, one of the newest players, Darius Miles, came over to shake the owner's hand, a sign of respect and appreciation that seems to matter to Allen. It's the sort of recognition he hopes to win from the business world for his new investing game.

- By Jay Greene in Seattle, with Ron Grover in Los Angeles

BIO

Paul G. Allen

Chairman, Vulcan Inc., the 450-employee company that manages his investment portfolio and philanthropy



A 9-YEAR-OLD ALLEN IN SEATTLE

BORN Jan. 21, 1953, in Seattle.

EDUCATION Dropped out of Washington State University in 1974 after his junior year.

RESUME HIGHLIGHT Co-founded Microsoft Corp. in 1975 with boyhood buddy William H. Gates III.

FAMILY TIES Unmarried, lives on a six-acre compound on Mercer Island, near Seattle, with his mother and his sister, Vulcan CEO Jody Patton, and her family.

WEALTH Worth an estimated \$18 billion, making him the third-richest American behind Gates and Warren Buffett. Owns a 387-acre spread in the San Juan Islands in Washington, a villa in the south of France, a 122-acre place in Beverly Hills, and a condo in Manhattan.

CHARITY Has so far donated \$650 million, mainly to causes in the Pacific Northwest such as land conservation,



VISIONARIES GATES AND ALLEN

universities, hospitals, the Seattle Public Library, and theater companies.

PLAYTHINGS A 413-foot yacht, the Octopus, complete with a 60-foot submarine; Seattle's Cinerama Theater, which he restored to its original three-projector, curved-screen magnificence; the captain's chair from the set of the original *Star Trek* TV series; a collection of 34 vintage airplanes, most from World War I and II.

STARGAZER He's a key backer of a private space program, SpaceShipOne, which won approval for manned suborbital travel; and the Search for Extraterrestrial Intelligence project.

BusinessWeek online

For a Q&A with Paul Allen, go to <http://www.businessweek.com/magazine/extra.htm>

Allen: "We Drank Some Castor Oil"

The billionaire on investment lessons learned the hard way, how the losses changed him, and jamming with Carlos Santana

For many years, Paul Allen has declined to discuss his investments. In that time, his net worth slipped from an estimated \$30 billion to \$18 billion. While the Microsoft co-founder remains the third-wealthiest American, he brought in new management to Vulcan Inc., his investment company, and charted a new course for his portfolio. Allen is moving away from pumping money into his Wired World vision that bet on the convergence of the Internet and entertainment. Instead, he's chasing more mundane investments, such as Houston oil-and-gas producer Plains Resources, as he works to diversify his portfolio and improve his returns.

With his new strategy in place, Allen agreed to speak with BusinessWeek Seattle Bureau Chief Jay Greene about his investments. Here are edited excerpts of their conversation:

Q: As you look back at your investments over the last decade, what have you learned?

A: There are a huge number of lessons we've learned. Obviously we've had some successes and some investments that didn't turn out anywhere near as well as we hoped. Based on a lot of those lessons, we've been revamping our organization here over the last three years. And we're in a completely different place in terms of our capability and our thoroughness and our approach. We're just so much more thorough, meticulous, demanding, and focused now than we were just a few years ago.

Q: What led you to that?

A: You had a number of bubbles burst. You had the dot-com bubble, the telecom bubble. Some of which we anticipated and some of which was more dramatic, not just for us but for many other investors. We saw some of that coming. But once we got more and more into it, we realized we had to start taking a very different approach. I got much more directly involved in analyzing all these things.

Q: Were you not as directly involved in the investments before?

A: I was involved in signing off at a high level. I'm much more involved now, especially in certain things. In Charter [Communications, the cable company in which Allen is a major investor], for example, I've taken a very, very active role. We have a weekly review meeting with Charter -- what steps we can take to improve things and monitor how things are going to run. And yeah, that hadn't been happening previously. I've taken a much more active role in certain things on a frequent basis.

Q: Your Web site doesn't use the phrase Wired World much anymore. Why?

A: It's like a lot of people don't use dot-com anymore. There are so many dot-coms. I don't think Amazon or anyone else stresses the dot-com aspect of what they're doing anymore. I guess [the Wired World] has become almost conventional wisdom in that sense. I don't think anybody worries today about whether everybody wants to be connected. Everybody is connected.

Q: Was the Wired World a good investment strategy, or was it more of a vision?

A: Well, whenever you see wave of change coming, like the personal computer revolution that I was fortunate enough to be involved in with Microsoft, you basically thank your lucky stars that you lived in a time when that was happening and you were able to participate in that and help it come into being. What I saw over 10 years ago was this idea that as computing got cheaper and as we're going to have a pervasiveness of higher bandwidth digital communications, it was going to be available both locally and span the globe. There were going to be some investment opportunities based on that.

We did a number of things based on the fact that people were going to be online or there was going to be some interactive television or communications or other kinds of broadband things. And that's what led us into being excited about cable as an enabling infrastructure and investment opportunity. I saw that coming. I think we made some great investments there. Other investments, for a variety of reasons, have been more challenged.

So, the strategy was a perfectly fine strategy. However, I have to be very direct that there were things we could have done better in terms of everything from buying assets to deal structure to the many, many lessons we learned going through that process.

I ended up writing a memo that had 26 points. Some of them are pretty commonsense business things like, when you're structuring a deal, protect the downside. Assume that everything may not come out as you would hope. Construct aspects of the deal so if things go south, your outcome preserves the maximum value you can achieve through negotiation. Some of these things are almost common sense. But I wish we had the 26-point memo five years ago. Things would be in a different place today. Those lessons were learned at a significant cost. And I think we've fully internalized them now.

Q: You sent this memo out to the every Vulcan employee. But does this apply to you as well?

A: Oh yeah. I've thought about them in the context of myself and upper management first. There are only a few that I was involved in that probably wouldn't apply. They are a list of shortcomings. Usually, you get the impetus to communicate something only if you've experienced it yourself, and you'd rather not go there again.

In retrospect everything becomes clear. If I have been more deeply involved in some of these things and thought through them more, maybe there would have been different outcomes. You can get too complacent, and not think, "Wow, bonds. I should know everything there is to know about bonds and debt structure because, if I'm involved in a company that has a lot of leverage, I'd better really completely understand bonds." Over the last couple of years, we drank some castor oil. It doesn't taste good going down. And you don't really relish drinking any more.

Q: How has your involvement in investment decisions changed?

A: I've got some deeper knowledge of those things than I had before. Maybe my magnifying glass is shined up a lot better. In the past, my analysis of those things would be maybe not as pointed and specific as it is now. Now when you talk about a company with a certain kind of debt structure, I know the questions to ask a lot better. I left a lot of that analysis and due diligence to the people we had in place then, and we've got an incredibly improved group now.

I've been through the fire in the last few years. Now I get involved and ask questions that are a lot more pointed and specific and probing -- and, I think, insightful.

Q: The comments seem to imply that [former investment chief] Bill Savoy isn't here because the investments he made didn't pan out. Is that a correct inference?

A: If you look back on the history of all the things we've been through, I've already talked about the mixed outcomes. Obviously, there was a parting of the ways there. I'd rather focus on the team Nathan [Troutman, the new investment boss] has got down there now, and the future, and the different approach we're taking now.

Q: How much do you attribute the performance of your portfolio to the tech bubble bursting as opposed to problems with Vulcan's execution?

A: Well, bursting bubbles tend to highlight things. When everything is onward and upward, when everything is rosy and stock prices are only increasing, when everything is going great, the problems tend to be hidden. When things don't go as well, guess what? They all rise to the top. The bubble bursting causes you to reevaluate.

Q: Was there an emotional toll as your portfolio declined?

A: You can imagine when you're dealing with some of the stuff we've dealt with over the last couple of years that it's not fun. I guess the one fun thing is that there's a learning experience. You go, "Wow, I've never been in this type of situation before. I've got to deal with this kind of thing." You know, "Bank covenants. I want to learn everything."

You go through situations like that and absorb it, and you have a very short period of time to do it and step up. You feel good working through those things. It's a high-stress situation to be in. But then you get the satisfaction of being able to work through those things and have a positive outcome.

Q: Some people think that since you have so much money and so many different interests, it wasn't all that important to you when your investments went down. Is that true?

A: No. I'm as competitive as the next person in business. I worked at Microsoft. Is Microsoft a competitive place? It has that reputation. When you're going through those things, there's an element of stiff upper lip, and hanging in there, and toughing it out. But look, you never find enjoyment in losing money or seeing assets get devalued or seeing future potential be cut off or initiatives come up short. There's no reward in any of those things. You try to bear down and figure out how to change those outcomes. You have to decide which ones are the situations where you cut losses and which ones do you bear down and tough it out. You come out on the other side in a better place.

Q: You got tagged with the unfortunate moniker a few years ago of being the "accidental zillionaire." Does that stuff bug you?

A: I find it more puzzling than anything else. You go, "Wait a minute, I was there. I founded Microsoft with Bill. I worked on a lot of the initial ideas and wrote the code." I'm not sure I understand the accidental part.

Q: Do you think about things like the legacy you'll leave?

A: To me, the most rewarding things are when you try to create some new thing with a group of people that moves an area of technology forward or an industry forward, like what we're trying to do with interactive television. Those are fun things that if you're able to succeed, it's rewarding. And hopefully, you change people's lives in a positive way, and there are financial returns.

One thing about me, I don't know if it's self-evident or not, but I just love the whole spectrum of being involved in a whole bunch of different things. They're intellectually challenging. All the businesses in these different areas are interesting. It's fun to be involved in a broad spectrum of things.

Q: Do you worry about spreading yourself too thin?

A: Yes. You have to worry about that. Because I'm attracted to so many different things, I have to consciously ask myself that question. Am I getting involved in too many different things? Over the last couple of years, we've consciously reduced the number of things we've been involved in. It keeps you better focused.

Q: You still have so many interests though. You own sports teams. You scuba dive. You have your yachts. Do you think you spent too much time on those?

A: No. You have to have balance. After working my early days in technology, working with incredible focus and not really having a balance, I've tried to have some fun.

Q: What's the most fun thing of those other things you do?

A: Because I'm a musician, some of the music things have been a lot of fun. I've been able to jam with Dave Stewart [of the Eurythmics]. I've played a little bit with Mick Jagger. Carlos Santana, we did a charity event with him. Peter Gabriel. If you're an amateur musician, when you play with those guys, you realize you're an amateur. A classic example: We had a party in Venice, and I did this thing with Carlos Santana. He said, "Please, would you play with us. On the last song, we'll invite you up, and we'll trade riffs." I'm thinking I'm doing pretty well. We're going back and forth, and I'm really getting into it. All of sudden he does this incredible run where he goes up two octaves and back down in quadruple time.

And I sit there going, "Uh-oh, I'm not Carlos Santana." I can't play anything even close to that. So those moments are fun. I feel really fortunate and blessed.