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TELLS ALL!**

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HAPPINESS WITH A SIMPLE GREEK ZILLIONAIRE WITH THE SAME FIRST NAME?***

BY KRISTA SMITH • PHOTOGRAPHS BY MARIO TESTINO

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REFLECTIONS ON V.F.'S LONDON LIBEL TRIAL

BY GRAYDON CARTER

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* SHE'LL TAKE HIS LAST NAME, BUT CAN SHE PRONOUNCE IT?!

“Absolutely Excessive!”

Things were eating at Oracle C.E.O. Larry Ellison. His strategy for his software company, the second-largest in the world, seemed flawed. He worried that his new, 454-foot yacht might be too big. His America's Cup bid was a nightmare. But now, settled into his new boat—photographed exclusively for *V.F.*—the 61-year-old billionaire is on a fresh tack. As Oracle moves to capture the banking, telecommunications, and retail markets, MATTHEW SYMONDS reveals what it takes to make an angst-ridden mogul happy again



HOLY SHIP

Larry Ellison's 454-foot *Rising Sun*, currently the longest private yacht in the world, photographed in the Mediterranean, at Porto Rotondo, on July 29, 2005.

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arry Ellison, the founding C.E.O. of Oracle, the world's second-biggest software firm after Microsoft, is in the Spanish city of Valencia, the host of the next America's Cup. His presence makes an impact. As one steps out of the plane and into the airport terminal, the first thing that catches the eye is a billboard-size picture of Ellison's *USA-76* race boat powering through foaming seas. Though the 32nd America's Cup proper doesn't get going until 2007, under new rules devised by Ellison and the current champion, Switzerland's Ernesto Bertarelli, the billionaire chief of biotech giant Serono, 12 teams are competing in a series of regattas building up to the big event. For the next 10 days, the racing will be in Valencia. Later in the year, the circus will move on to Malmö-Skäne, in Sweden, and Trapani, in Sicily. By making America's Cup racing—sailing's sporting and technological pinnacle—more like Formula One, Ellison and Bertarelli are hoping to snag worldwide TV coverage and eager big-name sponsors.

Because of the regatta, Valencia is buzzing. The old commercial port has been turned into a base for the teams, and a new jetty has been specially built for their billionaire owners to park the mega-yachts they will live on and entertain from during the racing. Bertarelli's elegant 150-foot *Vava* is there, but not Ellison's new pride and joy, the 454-foot *Rising Sun*. The problem is that *Rising Sun*—for now, the longest privately owned boat in the world—won't fit. She's nearly twice the length the jetty can accommodate. Instead, *Rising Sun* is berthed on the far side of the harbor, where she utterly dominates the scene. Unfortunately for Ellison, that means being right next to the giant container cranes—a constant reminder that Valencia is more gritty industrial port than haven for jet-set yachties—that operate night and day. A couple of weeks before, *Rising Sun* was in something like her normal habitat when Ellison's wife, Melanie, commandeered

her for a trip to the Cannes Film Festival with a gaggle of her female chums.

Rising Sun looks quite unlike anything else afloat. Built at Lürssen, a shipyard near Bremen, Germany, she completed her sea trials only late last year. Apart from her size, what distinguishes her are her two decks of shimmering plate glass and her huge bow and stern overhangs. Most big, privately owned yachts have the outline of basketball sneakers, with one deck stacked on top of another to cram in as many cabins and as much interior space as possible. But *Rising Sun*, which was conceived five years ago by the late Jon Bannenberg, the doyen of yacht designers, was built for elegance and speed as well as comfort.

It is this, rather than billionaire one-upmanship—according to one story making the rounds, Ellison added more than 35 feet to her when he found out that Microsoft co-founder Paul Allen might be building something even bigger—that has dictated her length. Ellison says, "It's true that as the design progressed she grew from 300 feet to over 450 feet. But the idea we would have chopped her in half to put some more length into her is absurd. I can't even imagine what it would cost. But then, I've also read about the swimming pool and the chandeliers on board, and we don't have any of those. I think people just make this stuff up."

Inside, *Rising Sun* is as unusual as she is from the outside. There is opulence, but nothing ornate or gaudy. Pale veneers combine with neutral tones—soft beiges, deep browns, and light olives. The effect is understated, soothing: modern, but—even though a pale stone wall runs up through the middle of the boat and the staircases are made of glass and brushed chrome—nothing seems edgy or contrived. Everywhere, natural light floods in from the floor-to-ceiling, curved, and beveled windows. Although the main saloon is a huge space for entertaining, there are also plenty of more intimate places to hang out—a pleasant study, a sitting room with a comfortable sofa and a real wood fire. Despite her size and a crew of more than 30 aboard, there are just eight guest suites on *Rising Sun*. Ellison is picky about his friendships.

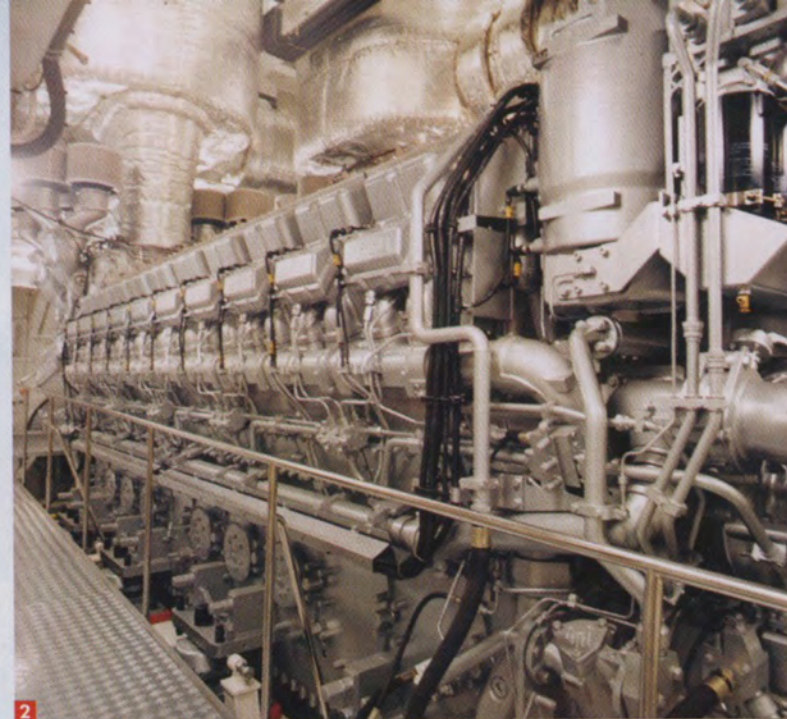
Below there is a small cinema that Steven Spielberg, a guest after Christmas, pronounced to be more beautiful than anything he'd encountered in Hollywood; a hair-dressing salon (fully booked during the Cannes outing); and, of all things on a boat, a billiard room. There's a well-equipped gym and an outdoor spa. A dazzling white walkway acts as spectator gallery to the engine rooms on either side, where four

"It's really only the size of a very large house."



THE OLD LADY AND THE SEA

Larry Ellison and his wife, Melanie Craft, on the main deck of *Rising Sun*, July 2005.



Just eight guest
suites on *Rising Sun*.
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his friendships.



ALL ABOARD

(1) *Rising Sun* stands tall in the Mediterranean, at Porto Rotondo, off the coast of Sardinia, on July 29, 2005. The boat was designed by Jon Bannenberg, who died before he could see his vision executed. (2) One of the boat's four engines, which collectively produce 48,000 horsepower at full throttle. (3) Ellison at the helm of his America's Cup race boat, *USA-76*, off the coast of Malmö-Skåne, Sweden, on August 19, 2005. (4) Larry Ellison, his wife, Melanie Craft, and crew members aboard the launch *Classic Tender* on July 29, 2005. (5) A central hallway on *Rising Sun*, with porthole views of the engine rooms. (6) Winches in the forward mooring station, where the boat's anchors are stowed. (7) The main dining room, with seating for 20.



Ellison can be
as patient as
he is aggressive.



HIGHFLIER

Ellison in his Italian SIAI-Marchetti S-211 jet fighter, in Silicon Valley, July 9, 2005.

diesels generate the 48,000 horsepower needed to propel *Rising Sun* at over 30 knots—don't even ask how much fuel *that* burns. Ellison says, "If I knew, it would take all the fun right out of it."

In the months after 9/11, Ellison's enthusiasm had waned for both his extraordinary boat and the Japanese imperial village he had been building for more than a decade in an exquisite garden at Woodside, in the hills several miles from Oracle's Silicon Valley headquarters. But it wasn't just 9/11-induced introspection that was responsible for the uncharacteristic flatness of Ellison's mood at the time.

For months he had been under pressure. Pressure because of problems at Oracle—the company he'd co-founded more than a quarter of a century ago and turned into the biggest business-software firm in the world, with a market value of more than \$100 billion. Pressure because Ellison had come under personal attack after vesting more than \$700 million worth of Oracle stock shortly before its price tanked following a profits warning—money that had been put to use funding the construction both at Woodside and of *Rising Sun*. In fact, despite the inevitable lawsuit, Ellison was found to have done nothing wrong. If he hadn't vested the options then, he would have lost them, and the sudden downturn in demand for Oracle's business software had taken him as much by surprise as anyone.

But that was much less interesting than the coincidence of being America's highest-paid executive in the year after the dot-com bust and the exposure of fraud at Enron and WorldCom. It wasn't great timing. There were armies of angry investors eager to blame anyone other than themselves for their losses. And as one of America's most flamboyant and wealthy executives—in the latest *Forbes* rich list, Ellison took ninth place, with a fortune of \$18.4 billion—he felt oddly vulnerable. C.E.O.'s who had recently been lionized were now pariahs. At the time, I was writing a book about Ellison and Oracle and we had become close friends during the two-year project. I remember my editor, half-jokingly, half-hopefully, asking whether there was any chance that Ellison might soon be going the way of Bernie Ebbers. As it happened, after learning painful lessons from a near-terminal accounting scandal in the early 1990s, Ellison had been sufficiently confident of Oracle's squeaky-clean numbers to become one of the first C.E.O.'s in America to take the Sarbanes-Oxley oath of accurate representation.

But since that strange summer in 2002, when half of corporate America seemed

to be in the dock, he had never sounded excited about *Rising Sun*. He would say that she seemed "excessive." He was worried that she might be too big for him and Melanie to feel comfortable on when there weren't lots of guests on board. He feared it might be like being the only people in a restaurant. His best friend, Steve Jobs, had thought him crazy to get rid of his previous boat, the 244-foot *Katana*. ("Just about perfect" was the judgment of the obsessively perfectionist Jobs about the boat Ellison was selling.) Earlier this year, after he had taken his first holiday on *Rising Sun*, he still seemed unsure about her and even indicated he would sell her if someone (the steel magnate Lakshmi Mittal had been mentioned) was willing to leave him with a profit from the 250 million euros he had paid to build her.

How did he feel about *Rising Sun* now? I asked. He grinned. "Well, I do still think it's excessive. It is absolutely excessive. No question about it. But it's amazing what you can get used to. When I was talking about selling her, I'd only spent 10 days with her, and I didn't know then whether it was newness or the scale that was the problem. Turns out, it was the newness. It's really only the size of a very large house. With guests on board, there's plenty for them to do, while Melanie and I can retreat to the top deck. Up there we have a bedroom, a saloon, a parlor, an office, and a large, shaded, open deck area. In the evening, we can all meet up for dinner and conversation."

It's not surprising the boat no longer troubles Ellison. For the last 18 months or so he has been on a roll. He may even feel he's earned it, although he'd be the first to admit that nobody actually deserves to be as wealthy as he is. The contrast with his mood in 2001 could not be greater. Not much had seemed to go right for either Ellison or Oracle during that time.

Ellison had predicted that a software program called the E-Business Suite would sweep all before it. For the first time, Oracle was offering a complete set of applications that would seamlessly automate every aspect of a business, from traditional back-office stuff to managing its supply chain and even choreographing sales. Best of all, because each application was designed to work with the others, companies could keep all their information in one place. It was hugely ambitious and conceptually compelling. But he'd miscalculated the time it would take to integrate one of the biggest, most complex software packages ever devised while making it bug-free and reliable.

There were no such technical problems with a whizzy new version of Oracle's market-leading database—still the bedrock of its business and responsible for around 80 percent of its earnings—that could make lots of cheap little P.C. servers work together with the power and security of a giant mainframe. But sales of all business software were slack: the roaring 90s had left a huge inventory hangover of unused licenses that would take several years to get over. Consequently, for much of the time I'd been with him, Ellison was forced to play defense. To his credit, his sense of humor and overwhelming optimism had only rarely deserted him, and he had never been anything other than great company.

Even the America's Cup in New Zealand turned into a bit of a nightmare. As with the E-Business Suite, Ellison expected to win. Thanks to a budget of around \$90 million, about two-thirds from Ellison personally and most of the rest from sponsor BMW, he was confident he had the fastest boat and the best sailing team money could buy. But he hadn't foreseen the constant feuding between the Americans on the team, who had come from a previous America's Cup challenge, and the New Zealanders, who had sailed with Ellison on his multiple-world-championship-winning maxi-yacht, the 80-foot *Sayonara*. Emotionally, Ellison was much closer to the Kiwis, especially his skipper, Chris Dickson, with whom he had many shared experiences, not least winning the appalling 1998 Sydney-to-Hobart race, which claimed the lives of six competitors. With things not going smoothly at Oracle, Ellison had ignored the signs of trouble on the team, and by the time they got to Auckland, the damage had been done. The factionalism undermined both morale and performance. The mood on the race boat, *USA-76*, was so poisonous that Ellison thought his own presence could provoke a mutiny. In miserable frustration aboard *Katana*, he watched *USA-76* come close, but not close enough.

It will be another couple of years before Ellison has a chance to put that right. In Valencia, he has a talented and harmonious team, and the boat is as fast as ever. He's also enjoying being part of the afterguard (who work out the tactics during races) and occasionally driving when there's not too much at stake. (Ellison is technically impressive, but he can't practice as much as the pros.) However, the BMW Oracle team is still some way from opening up a consistent performance gap over the two teams it will have to beat in 2007, Bertarelli's Alinghi and Team New Zealand. On their day, each of the "big three" is ca-

pable of beating the other two. Unfortunately, while I'm in Valencia with Ellison, *USA-76* beats every team other than the two it really needs to.

In America's Cup racing, having the best boat with the best sailors helps quite a lot, but races can be decided by who gets lucky with a puff of wind that happens to be on one side of the course and not the other. In business, however, most of the luck you get you make yourself. And lately Ellison has been doing just that. For a while now, he has believed that eventually there will be just a handful of very big and powerful software firms left standing—Microsoft, IBM, the German powerhouse SAP, and, of course, Oracle. What has changed is that he used to think consolidation would happen naturally. The niche players, some of whom suddenly achieved multi-billion-dollar market caps thanks to the insanity of the Internet boom, would simply fade away. Software, Ellison argued, may not be a winner-takes-all business, but it is certainly one in which the winners leave only scraps for everyone else.

What Ellison underestimated was how long it would take to happen. Software never wears out, and firms with cash in the bank can tick over on their maintenance contracts for years, even if they sell hardly any new licenses. Having heaped scorn on the idea that Oracle might want to buy rival companies—"We prefer writing software to writing checks"—Ellison performed a tire-shredding U-turn in June 2003 when he launched an unprecedented (for the software business) hostile takeover of PeopleSoft, a rival in the enterprise-applications market that was itself in the process of bidding for another important competitor, J. D. Edwards. Ellison had decided the consolidation he had predicted needed a helping shove.

Few takeovers in U.S. corporate history have been more bitterly contested. Craig Conway, the ex-Oracle salesman who ran PeopleSoft, condemned Ellison's move as "atrociously bad behavior from a company with a history of atrociously bad behavior" and, in the heat of the moment, vowed defiance whatever price Oracle offered. Ellison also shot his mouth off, talking about both PeopleSoft and J. D. Edwards as companies "in distress." The suggestion was that Oracle would help take them out of their misery. Just for good measure, he added, "I guess you could say I've become a corporate raider." It was a mistake that riled PeopleSoft employees, customers, and shareholders alike.

It took 18 months before PeopleSoft's resistance finally folded, but not before Ellison had taken on and defeated the Department of Justice, which was blocking the bid, in a landmark court case, and not before Oracle had more than doubled the price it was willing to pay to \$10.3 billion. Most observers had expected Ellison to pack his tent after the Department of Justice stepped in. But while he has a well-deserved reputation for a take-no-prisoners approach to business, they forgot that, when he needs to be, Ellison can be as patient as he is aggressive.

Patient, but also in a hurry. He believes that Oracle is now in pole position to be the main consolidator in the industry. Six months after winning control of PeopleSoft, Oracle reported a 26 percent increase in total revenues for the final quarter and a 52 percent hike in new applications-license revenues. Ellison reckons that over the next few years a combination of acquisitions and organic growth will take Oracle's revenues from about \$12 billion today to more than \$30 billion. (Last year, Microsoft hit nearly \$40 billion.) Three things underscore Ellison's confidence. First, with operating margins in excess of 40 percent, Oracle is a cash machine. Second, he now has a management bench with the strength to handle major acquisitions and run a much bigger and increasingly complex company—his latest hire is Greg Maffei, the respected former chief financial officer of Microsoft. Ellison says that Oracle has learned from both the G.E. and the Cisco models and can now make quite sizable acquisitions a routine part of doing business.

The third, Ellison argues, is that, for different reasons, nobody else can play the consolidator role like Oracle. IBM, he says, is the Switzerland of the tech business. Its main business is services and it preserves a strict policy of neutrality toward software vendors that would be undermined if it went on a buying spree. Microsoft, he declares, is not an enterprise-software company. Apart from protecting its monopoly of the desktop, what it worries most about are Google and Sony. As for his German competitor, SAP, it is smaller and less profitable than Oracle. But, above all, it is very German. Its culture makes it hard for it to start buying companies with thousands of employees in California.

Since April, Oracle has snapped up a couple of software firms specializing in the retail sector it plans to dominate along with other major industries, such as banking and telecommunications, where it has already established a powerful presence. For Ellison, the key to growing fast is to take more of the I.T. spent in those sectors than any-

one else. At present, Ellison estimates, IBM gets about 17 percent of banking's I.T. revenues, and Oracle 2 percent. That's not because IBM provides the hardware, which gets cheaper by the day, but because it supplies the expensive labor to integrate, service, and, increasingly often these days, even run its customers' vast and complex I.T. operations. Ellison says his goal is for Oracle to pass IBM in being the primary supplier of I.T. to banks.

Having found a way for Oracle to grow fast again, Ellison seems happier now than at any time during the seven years I've known him. Growing his business is probably a precondition for Ellison's well-being, but other things have fallen into place as well. Just before Christmas 2003, Ellison married Melanie Craft, a 36-year-

old novelist, with whom he has lived since 1998. Although he'd asked her to marry him before, it was a spur-of-the-moment decision. Patience combined with impulsiveness—typical Ellison. And with just a few days before they were to leave for a family holiday in the Caribbean, elaborate celebrations were out, which was exactly how they wanted it to be. The small ceremony, presided over by Ellison's friend Tom Lantos, the congressman and human-rights campaigner, took place at the Waterfall House, by the lake at Woodside. His two grown children from his third marriage were there, as was Steve Jobs. Jobs not only took the photographs but also had to lend Ellison his wedding band. Too bad it got stuck halfway down Ellison's finger. After the failure of his third marriage, nearly 20 years ago, Ellison concluded that the three-strikes-and-you're-out rule should apply to him. But he and Melanie had grown so comfortable and used to each other that it seemed like the right thing to do. "It was time," Ellison told me. "We'd been together for seven years and there was no itch."

Ellison would be the first to admit no one actually deserves to be as wealthy as he is.

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Contrary to the expectations of some of their friends, they're also comfortable with

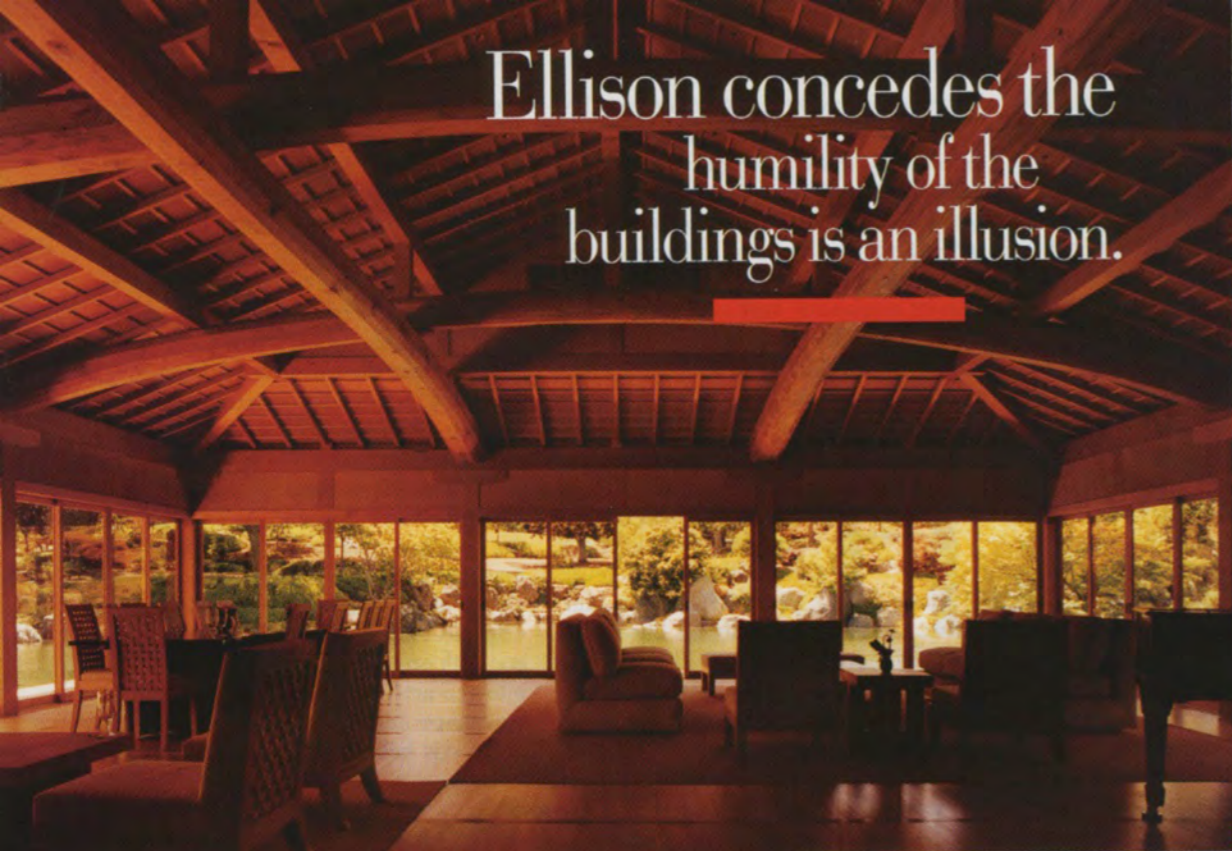
their new lakeside home. One concern was that the carefully contrived perfection might turn out to be stifling for normal life. Other fears included the intrusiveness of the security needed to keep the malign or the merely inquisitive out of a 40-acre estate. And then there was the racket put up by the frogs that were drawn to the artificial lake. Ellison had never worried.

After more than 10 years in the making, the place (oddly, Ellison hasn't yet come up with a name for it) is no less extraordinary (and not much less expensive) than *Rising Sun*. But in every other way it could hardly be more different. As Ellison says, the boat is a great machine that has been made to dominate its environment. The cluster of wooden houses, some based on originals built in Kyoto between the 15th and 18th centuries, is intended to withdraw into the artfully designed, semi-natural landscape and be dwarfed by the giant redwoods behind it. The idea is that it

should look like a village that has grown up organically over time. The small scale of the houses serves two purposes crucial to the Japanese aesthetic that Ellison has embraced with increasing intensity since a life-changing business trip to Japan in his late 20s. The first is that much-prized harmonious relationship with nature. The second is a deliberate ambiguity between outdoors and indoors.

Ellison concedes that in a sense the humility of the buildings is as much an illusion as the whole thing. They are the product of millions of man-hours, painstaking craftsmanship, and the fanatical perfectionism of Ellison's master builder, Paul Discoe. Ellison has said he had to struggle with Discoe to persuade him to put in modern lavatories as opposed to the more authentic holes in the ground, and before electric lighting could be installed a small forgiveness ceremony had to be held by the carpenters. The massive boulders that surround the lake and through which the waterfall runs, driven by an underground, industrial-scale filtration system, were transported on flatbed trucks from the Sierra Nevada Mountains before being artfully positioned by Shigeru

Ellison concedes the
humility of the
buildings is an illusion.



HE'LL TAKE A VILLAGE

(1) The great room at Ellison's 40-acre estate in Woodside, California, designed by Paul Discoe in the style of a traditional Japanese village. (2) A spiral staircase in Ellison's house in Pacific Heights, San Francisco. (3) The Oracle headquarters in Redwood Shores, California. (4) The entrance to Ellison's Woodside estate. (5) A view of the lake at the center of the estate. The lake is artificial and is cleaned by an industrial-size underground filtration system. It has also drawn a few unwanted noisy visitors—frogs. (6) A view of the living room at Ellison's Pacific Heights home.

Namba. To complete the illusion, a cinema, staff offices, and parking for Ellison's fleet of cars are hidden from view.

The part of the estate the Ellisons have made their home is composed of two houses, built in the style of traditional Japanese farmhouses, linked by a covered walkway. The larger of the two accommodates staff and what Ellison calls a "public zone," which includes a commercial-scale kitchen and a "great room" for entertaining, with a spectacular open-timbered ceiling. The house juts out onto the lake and is surrounded on three sides by water. The Ellisons' own quarters comprise a small kitchen, a living room into which, in a pinch, six people can squeeze, and three bedrooms. It's not what you'd call spacious.

Whenever Ellison needs a change of scene and people, he flies himself and Melanie down to Malibu, where he has been steadily buying up prime beachside real estate for the last two or three years at a cost of around \$150 million. Part of the reason is that he enjoys spending time with his children. Megan, 19, and David, 22, both live on Carbon Beach, where he has bought at least 10 houses (one of which is currently rented out to Jennifer Aniston), plus a couple of restaurants he intends to refurbish. Megan is attending film school in Los Angeles, and David is already acting in his first movie, *Flyboys*. Ellison has managed to stay close to them throughout their lives despite separating from their mother, Barbara, when they were very young. But a visit there is also a chance to swap the slightly claustrophobic gorgeousness of the Woodside estate for the openness of the ocean and to socialize with the friends he has made in the entertainment business, especially DreamWorks co-founders David Geffen and Jeffrey Katzenberg, music producer David Foster (whose 22-acre Malibu compound Ellison bought for more than \$20 million), TV financier Haim Saban, and the Hollywood superagent Sue Mengers. Ellison's new pals are, it's fair to say, very different from the slightly staid Silicon Valley crowd. In the tech business, there's probably nobody with a more outsize personality than Ellison's. But with these guys, he's the quiet one.

What's next for Ellison? The big question is how much longer he intends to go on working at Oracle. Is this acquisition binge his last hurrah before retiring in a few years' time? After all, there are plenty of other challenges waiting to fill his life, from be-

coming more actively involved in his medical foundation (the main focus of his philanthropic activity, responsible this year for a \$120 million donation to Harvard, the biggest in the university's history) to investing in molecular biology (he dreams that one of the companies he owns, Quark Biotech Inc., might come up with a revolutionary advance in the treatment of cancer) and winning that damned, elusive sailing trophy.

He is certainly a little less hands-on at Oracle than he used to be. Four years ago I was quite surprised by his work habits. Some of the day-to-day work he relished and some of it was, frankly, a chore. He still thought of himself, first and foremost, as a software engineer who liked nothing better than getting his hands dirty under the hood, sorting out a development problem that had stumped everyone else. He didn't much like selling software, but he was willing to do it if that was what was needed to land new customers, and, shockingly, Ellison seemed more than ready to go on any number of fairly routine sales trips. Even with a Gulfstream GV (since replaced with a Bombardier Global Express) and suites in the best hotels, being "on the road" is still a grind.

At the end of a tough day of customer roundtables and conference keynote speeches, he often seemed wiped out and yearning for home. Why do things you don't enjoy, I would ask, when you're nearly 60 and worth more than some countries? At such moments, the idea of quitting Oracle one day, albeit at some undetermined time in the not-too-near future, was something he was quite happy to talk about; he would even go through the list of talented engineers at Oracle (it always had to be an engineer) who might one day succeed him.

Since then, he's changed the way he works quite radically. Customers, even important ones, tend to come to him—an invitation to take lunch with Ellison by the lake in his beautiful Japanese garden is usually enough to lure even the grandest C.E.O.'s. He now concentrates on strategy and a few major execution issues, in particular the way newly acquired businesses are integrated with Oracle's operations. But the key to his "longevity," he says, is the group of people he now has around him at Oracle. "They are good enough for us to grow without my having to spend all my time at the office." When I pop the retirement question again, he laughs and says, "Look at my dear friend Kirk Kerkorian—88 and still going strong. I'm just a kid." □

DREAM HOOPS

Larry Ellison, photographed on the basketball court, or main aft deck, of *Rising Sun* on July 29, 2005.



In the software business,
the winners leave only
scraps for everyone else.