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# Does Covalent have a recipe for open-source success?

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by Joe Barr

From...



(IDG) -- In "The Magic Cauldron," Eric S. Raymond (ESR hereafter) provides a number of answers to what had previously been a vexing question for those in the free and open source software community: How do we make money from this stuff?

A few incredible IPOs later, it appears that word has gotten out. First, Red Hat lit up the firmament with its launch in August. VA Linux waited until the end of the year, and then set records for first-day performance.



Thus, when Covalent Technologies appeared in the public-relations bitstream last week with news that it had secured five million dollars in venture capital funding from H&Q Venture Associates, it seemed that this company was following what has become, for some at least, a path to riches.

Covalent is demonstrating how to make money by following the model ESR calls "give away the recipe, open a restaurant." This the very same model that Robert Young followed with Red Hat and Michael Tiemann followed with Cygnus. Randy Terbush, founder, CEO, and CTO of Covalent Technologies, agrees, saying simply, "We want to be the Red Hat of Apache."

The path Terbush is following doesn't seem that difficult. You need to get involved at the very beginning of a code chain, before the product under development has gains a buzz as cool technology, and well before it becomes the next big thing. Then you need to slave away at it (Terbush routinely puts in 100 hours a week) to make sure it doesn't go off track. Finally, you need a bit of luck to catch the eye of the right venture capitalist. If you can do all that, you're on your way. Those last two items, the hard work and the luck, are easy compared to the first one.

Randy Terbush has the first part covered. He is one of the founding members of the Apache Group, the team that created what has become the world's most popular Web server (whose market share is still growing, despite Microsoft's best efforts). That was in 1995, before the Internet itself had really become the next big thing. But that wasn't Terbush's first exposure to the Internet, nor was it his first dance with open source software.

Back in 1989, Terbush crossed paths with one of

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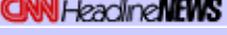
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Cygnus's founders, Michael Tiemann, while working on the port of gcc to the Xenix platform. They didn't meet, but they shared a common project. Terbush also told me that he worked for a firm which relied heavily on open source software (like gcc, for example) for years, so he was no stranger to it when he got involved with the Apache Group.

According to the Apache Website, Apache got its name because its founders got started by applying patches to code written for version 1.3 of NCSA's httpd daemon. The result was a patchy server -- thus, the name Apache. Not only is Terbush one of the eight original founders of the Apache Group, but he still serves today as treasurer of the Apache Software Foundation.

Covalent Technologies was founded in 1994, a year before the birth of Apache. Today, it is focused exclusively on providing support and products for the Apache server. Apache has proved itself on a number of popular platforms, including BSD, Linux, and Windows; as of the latest Netcraft survey, it holds a remarkable 54.81% share of the market.

One of the things that open source Apache has lacked is a secure, commercial-grade offering. This is primarily because of patent restrictions on the RSA algorithms used in SSL (Secure Socket Layer), which has become a standard security feature for ecommerce sites. Covalent Technologies has filled this need with Raven, its commercial SSL module -- which runs, quite naturally, on Apache.

In addition to Raven, Covalent has earned its keep by providing commercial support and enhancements to Apache for a diverse group of organizations, including AT&T, AMD, Federal Express, Harvard University, Hewlett-Packard, Lucent, NASA, and Verio. This would be an impressive list of clients for anyone, let alone a 12 person firm located in Lincoln, Neb., the heartland of America.

As the Internet dot-com craze merged with open source hoopla, even small firms like Covalent began to get noticed by the traditionally conservative business press. According to Terbush, an article in Forbes caught the eye of investors at H&Q, and talks were soon underway to move Covalent to the next level.

Covalent will use H&Q's cash in a number of ways. The company plans to expand its development and support staff of 12 employees to 60 by June 2000. A new office for product development will be opened in Silicon Valley, but the support, distribution, and training functions will remain in Lincoln. The new development work will center not only on Raven, the SSL module, but on things like credit card authentication, virus scanning, and remote administration. The goal will be an enterprise-level Apache solution that can compete successfully with Microsoft and Netscape for use by the largest ecommerce sites.

Terbush believes that future revenue streams will be evenly divided between support functions and product sales. In the support arena, he will face competition from two established players: Red Hat and Linuxcare. Terbush points out that Covalent already supports more applications (23) than Linuxcare does. Clearly, however, Covalent holds the upper hand over the competition in expertise in the support of Apache.

Terbush says that most of the enhanced code will be open source, though some of the enhancements will contain proprietary, patented code that can't be released back into the open source community. He feels that the Apache license, like the BSD license, is more enterprise friendly than other free/open source licenses.

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The GPL (GNU Public License), for example, which protects the Linux source code, requires that products incorporating software protected by it also be released under the GPL. The Apache license, derived from the BSD license, requires only that proper credit for use of its code be given.

One example of Apache's enterprise friendliness has been the involvement of IBM with the Apache Group. IBM wanted to use some of the Apache server code in the development of its own Web server product, Websphere. The Apache license allowed IBM to do just that; in return IBM gave the Apache Group some important hacks that improved Apache performance on Windows NT.

That same license may be exactly right for what Terbush now hopes will become an even tighter relationship between Apache and Covalent. Covalent will provide Apache with the technical expertise required to deliver Apache-based solutions for big-time, big-dollar Websites. In return, it will constantly be adding to the source code available to all users of Apache.

How long before Covalent Technologies has its own IPO? Nobody can say, but it's a good bet that one is coming. It's also a good bet that it, too, will be wildly successful. The company's positioning is too good for it to be otherwise. But it may not happen overnight; the first round of VC funding certainly didn't happen instantly. As Terbush told me about the deal just made with H&Q, which will see him give up his CEO position but retain his hat as CTO, "It's a big step for us. We took a long time to do it."

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