Oral History of Bill Newcomer

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Bill Newcomer

Conducted by Luanne Johnson

Abstract: Bill Newcomer describes the founding of the software company Dylakor based on a then very unusual direct mail marketing sales model.   He describes their unique dollar-a-day pricing strategy and the unusual packaging they used to deliver their self-installing products, also a very unusual approach in the early days of the software industry. He talks about the financial crisis that the company survived in the early 1970s before their software product sales took off, competition against IBM's free product Ditto, and other competitive products that they encountered as the industry changed. He also describes the sale of Dylakor to Sterling Software in 1982.

[Editor's note: This interview was conducted in Mr. Newcomer's home in Cambria, California.]

Founding of Dylakor

Luanne Johnson: I'm interviewing people who were part of the early software industry because it's about the only way that we can preserve the history of what went on in those days. Almost all of the companies that were founded in the 1960s are gone. The only two that exist in anything like the form that they existed originally are Cincom and Boole & Babbage. Everything else has been bought up by Sterling Software or by Computer Associates. And when those companies buy companies, they don't exactly spend a lot of time making sure that the early records of the company are saved. You know, it's out, it's gone. So everything's gone except what exists in the memories of the people who were there at the time and the stuff that exists in their personal files. So this is the primary way we have of preserving the history of that industry.

Bill Newcomer: Sure.

Johnson: So, let's go over some of my questions.

Newcomer: Okay.

Johnson: Tell me about the founding of Dylakor, when it started and why you started it, what you were doing initially.

Newcomer: Okay, it started on September 6 of 1968. We started out as a three-prong company. There wasn't any market yet for software that we knew about. But that's what we felt we wanted to do. So in order to pay the bills, we had a consulting division and a service bureau.

Johnson: Oh, you had a service bureau, too? I didn't know that.

Newcomer: We didn't have our own machines to begin with. We would go in in the middle of the night and use other people's machines. But at one point, we bought a 360-50 and actually had a full-blown service bureau down in west LA. That didn't work out very good. We lost money on that, but the consulting was good. And then eventually the software started to be pretty good with DYL-250.

Johnson: Who else was involved?

Newcomer: Jim Case and I started the company. We were partners and I bought him out in 1976. Judy Meizner – she was Meizner then, she's Hagerthy now – and I developed the product that I had written that then became DYL-250. Our dollar-a-day software product, originally for the RCA 301.

Johnson: Oh, really?

Newcomer: My experience was mostly on RCA 301 and earlier going back to the IBM 650. But we needed to get that product over to the IBM 360. And then when we got the 360 DOS version, we needed the OS version and Judy knew more about OS. She was an OS systems programmer; she had never done software. But she and I together did all the products from there on until we got larger and had a bunch of people. So really there were three people that were instrumental in the beginning. Jim was not a technical person. Jim was a marketing person.

Johnson: Okay.

Newcomer: So his job was to be president and do the marketing. And my job was to do the technical work. And that worked good for about seven years until about 1975 and then we had some disagreements, mostly on emphasis. I wanted to go with software and he still wanted to

hang on to the consulting and the service bureau. And I thought it was time to focus on software, mainly because we were losing money in those other areas, and we were making all kinds of money in software. It just didn't make any sense

Johnson: How did you originally meet Case?

Newcomer: Gosh, we'd been friends for years. I don't remember but we had worked together someplace. Maybe at RCA. .

Johnson: Okay, so you'd had known each other for a long time.

Newcomer: Yes. When I was writing software for the RCA 301, RCA didn't have quite the resources that IBM did. So they were a little short on very basic utilities.

Johnson: Were you working for RCA?

Newcomer: No. I was working for Tabulating Consultants which was a service bureau in Los Angeles and they had two RCA 301s. They were heavily committed to RCA and so we didn't have the utility programs and sorts and all those things just didn't exist. So I started writing those kinds of things. And of course in those days, you didn't sell software, so I just gave it away.

So I got known and I actually started getting calls about these programs. I wrote a one-tape sort. Of course, we didn't have disks and most of the sorts took a whole bunch of tapes to work. What I found was that people very often had a small number of cards that would be sorted and go into an update program.

So with this little one-tape sort you could throw a handful of cards in and run the sort. It was called P12 and it would run those cards on the way into the update. And so you didn't have to set up all your tapes and work tapes and everything for a sort because it only used the one tape. So that was probably one of my most popular programs. I started getting calls from all over the country for support when something wouldn't work or when they had a question or something like that.

Johnson: So once this program had gotten distributed for free there were people calling you up to ask you to support it?

Newcomer: Yes, the guys from RCA knew we were using it. And they'd simply take a copy and give it to their other customers. It was really funny because I had to explain to people, "No, I don't work for RCA, but I'll be happy to answer your question." Because I had put my name on it. So that gave me the background in the kind of programs that we wound up writing.

Johnson: Okay. So you and Case decided to start your own company.

Newcomer: Right.

Johnson: Were you working for Tabulating Consultants at that time?

Newcomer: Yes, I was working for Tabulating Consultants at that time.

Johnson: What motivated you to decide to do this crazy thing of starting your own company?

Newcomer: Well, I don't really know because I was vice president of the service bureau, doing very well, had a Lincoln Continental to drive and a nice salary. Had three young children and a new house. We just thought it would work. Jim was working for the Southern California Water Company and he was using what later would become DYL-250. Since he liked it so well, we thought now might a good time. Maybe other people would buy it and pay us money for it.

Johnson: Was the water company a client of Tabulating Consultants?

Newcomer: Not really because they just got this one program and that was it. It was kind of like a Beta test version of what we would later do for the 360. Jim stayed on at the water company. We started operating out of our house in Granada Hills. I had twenty dollars and we opened up a company bank account.

Johnson: *[Laughs]*

Newcomer: In fact, I've still got that twenty-dollar initial check. I kept it. And then I've got the check that we eventually got from Sterling for umpteen million when we sold it in 1983. And so it's kind of fun, I have all those things framed.

Johnson: That's great.

Newcomer: So we were operating out of a bedroom in the house and we thought we were going to be a computer retrieval company. So we called it Computer Retrieval Systems, Inc.

Johnson: What do you mean by computer retrieval?

Newcomer: Well, we thought that our software would enable people to retrieve data, which is, of course, what it really did, and report on it and stuff like that. In those days, in order to get anything out of a file you had to write a program, usually in Assembler although a little Cobol was being used, I guess.

We were going to set it up so that you didn't have to so that. You could retrieve data out of anything regardless of format and get some use out of it. So we called ourselves Computer Retrieval Systems, Inc. A friend, Roger Fisher, who used to work for me at Tabulating Consultants called once when my wife, Claudia, was busy vacuuming.   So she dropped the vacuum cleaner and went in to answer the telephone and answered Computer Revival Systems or something like that and Roger gave her a really hard time.

About nine months after we had started our company, we learned that there was another company somewhere that was also Computer Retrieval Systems, Inc. so we had to change the name. We went on a name search and decided we would get one with just a single word that would make it easy to answer the phone.

Johnson: Even when vacuuming.

Newcomer: Yes. And we would make up a word and spell it in such a way that nobody else would be likely to use it. Because we didn't have the money to protect it all across the United States. We were incensed that another company could have gotten our name because we didn't realize that we only had protection in California.

We thought that the way everybody was going is that you would almost have a utility and customers would have a terminal and dial in for computer power. Of course all memory in those days was core storage, so we came up with "Dial a Core." And then changed it to Dylakor so that nobody else would have a dumb name like that. It confused a lot of people who thought it was Dial-a-Car, Dial-a-Whore, Die-Lacker or other variations. For a long time we collected all the strange names and spellings that people came up with. But it turned out to be an okay name in the long run.

Johnson: So when you started out you were operating out of your bedroom. Were you the only employee at this point?

Newcomer: Yes, that's right.

Johnson: At what point did Jim come into the company?

Newcomer: Maybe a year later. For quite a while, it was just me. And in fact, Jim wasn't even the second employee. We hired one of his programmers, Joe Davis, to write Cobol applications for the consulting or service work.

Johnson: Was this one of those situations where the consulting contracts initially were covering the expenses?

Newcomer: Yes. In fact for a year I hired myself out to work on a subscription fulfillment on-line system for magazines. We had a couple of 360-65s and a 360-40. I was full-time there at what was, in those days, a really nice hourly rate. I worked on our software products on the side. Between 12 and 3 in the morning I could get computer time to work on that.

Johnson: I remember how that was.

Newcomer: Yes, that was tough.

Professional Background Prior to Dylakor

Johnson: Before we get off the track, tell me how you got to the point where you had the programming skills to create those programs.

Newcomer: I was a frustrated engineer. I took a lot of engineering classes, but I actually got a degree at UCLA in Business Administration and I went to work in the engineering department of Menasco Manufacturing which made aircraft landing gear primarily for Lockheed, but also for others.

I started doing engineering administration for them. They had an Alwac 3E computer which was a hexadecimal machine with vacuum tubes and all of that. I started doing parts listings, bill of materials, and stuff like that on that computer which was kind of ridiculous because I had to use tabulating equipment and cards for part of it and then the computer had an oscilloscope for a

readout and a Flexowriter as a input device. So it was not very well suited for the type of thing that we wanted to do, but I did it anyway.

Later the company got an RCA 301, which was akin to the IBM 1401, and I could really start to do some nice programming. But even back at UCLA, I took the first course they had in programming the 650.

Johnson: Oh, really?

Newcomer: Yes, Clay Sprouls was a statistics professors who taught what I believe is the first course at UCLA on the IBM 650 and SOAP, Symbolic Optimum Assembly Program. In those days, it was a card-in and card-out system and we actually had to punch an intermediate deck. Did you work on the 650 at all?

Johnson: No, I didn't. My first computer was a 1401.

Newcomer: We did have an assembler, but it was so primitive that the assembler would punch an intermediate deck, then you'd have to feed the intermediate deck back through and get your object deck. It was a tremendous process to get your program out the other end. And, of course, it couldn't do much anyway and it didn't have any inputs or outputs. Eventually when you did get something, you'd have to take it to a printer and run your card deck through one of those 1407s or whatever they were.

Johnson: So from there did you go to Tabulating Consulting?

Newcomer: No, not quite. From Menasco I went to RCA and I worked again in engineering administration on the Atlas missile project. It didn't have anything to do with computers. RCA had a nice computing facility there and I wanted to get in it but they wouldn't hire me. I tried several times, even with a reduction in pay, to get into the data processing department, but I couldn't make it. So I left RCA and went back to Menasco, which by that time had the RCA 301 and I could get right into data processing from there.

Johnson: So you knew that you wanted to be in data processing?

Newcomer: Yes, and from there I went to Technicolor and worked as a systems analyst.

Johnson: Did you teach yourself programming?

Newcomer: Yes, I guess so, mostly. I read the manuals. I had some courses but in those days there were no business courses, you had to take engineering courses and they taught it from a different perspective. We were learning how the computers were built more than anything else.

Johnson: No programming.

Newcomer: The programming was not featured very much. So I think mainly you just picked it up.

Johnson: There was sort of an assumption that you'd figure out how to do it.

Newcomer: The manual gave you all the principles of operation and gave you every instruction. In those days the timings were very important and the memory use was very important. So you just kind of learned to do that.

Initial Marketing of DYL-250

Johnson: Okay, so after all that, let's go back to the point where you got the company going. When did you actually give it the name Dylakor?

Newcomer: It was probably within a year. We had our stationary and all that stuff printed up. We'd spent a few hundred dollars on all that so we were very ticked off that we had to change the name.

Johnson: That was a big investment in those days. I can remember when I got my first programming job and I was getting paid $472 a month. It was a big step up from what I was making as a secretary, so I was thrilled. But from that perspective, a couple of hundred dollars is half a month's salary.

Newcomer: That's right.

Johnson: Let's get into the marketing and how you came up with dollar a day software. What I'm finding in my research is that pricing was all over the place. People had completely different ideas about how to set the price for their software products.

Newcomer: There was no good rationale for how you priced. And we started out selling DYL-250 for, I believe, just under $3000, $2950 or $2850 or something like that.

Johnson: Describe DYL-250 and what it did.

Newcomer: It was a competitor to IBM's Ditto. It was essentially a file conversion program. It enabled you to read a file from cards or tape of any size and description. And by using parameters, you could select the records you wanted and you could run totals on the file, which was very important. And you could convert from one format to another. Mostly that was it. It was selecting records, running totals on records, and converting, or just finding them. So that was our initial product and we sold it for about $3000 and probably sold, I don't know, maybe a dozen of them, maybe less, in three, four years.

Johnson: How did you sell that dozen? What kind of marketing did you do?

Newcomer: We called on people and showed them what it could do.

Johnson: Did you combine that with calling on them to sell them consulting services?

Newcomer: Not necessarily, although that could have sold a couple of them. What we would do typically is we would go in and give some basic parameters of what the program could do. We'd ask if they had a file, any file – we didn't care what it looked like – that they wanted to get some records from and maybe reformat them, we would could do that for them.

Johnson: And almost invariably they had something for you to work with.

Newcomer: Obviously, there's always one that you want to get and nobody's written a program to get it yet. So we would simply go do it for them. And we'd do it in minutes with just a few parameter cards and so that was very impressive. So we could sell it that way.

Johnson: This was with the 360 marketplace?

Newcomer: Yeah, we had now written it for the 360 DOS system. And it had to run in those days In about 65K. In fact, I remember modifying it for one customer that wanted it run In 32K. So I made a 32K version which was cut down a little bit. Ridiculous, nowadays.

The people that had it really loved it, but the problem was that there was this market of 360s out there that we didn't know how to get to. We had to train the users, install it, and all that. And by the time we did all that, and of course sell it, there weren't enough of us and it was too hard, it wasn't working.

So we sat around and decided that much like the razor blade people, we could only give them the razor and sell the blades. Here's this product sitting on the shelf, it's not going to do us any good this way. Why don't we just give it away and figure out how to get some money from it every month? And eventually we came up with the idea that maybe we shouldn't sell it all. We should just rent it for a ridiculously low price with a money back guarantee and you could stop the rental any time if you didn't want it. And we came up with a dollar a day for the rental price.

I did some charts and figured that if we could ever get to a 1,000 users, we could get a $1000 a day and we would have arrived. We wouldn't need anything further. The charts were neat. They showed that every incremental increase was pure gravy. So I could show projections which were just marvelous. All we had to do, was just do it.

Well, the problem with that was we didn't know how to train and install because you had to go to the customer's site to do that. So we had to invent a self-installing tape and a little manual that would be so simple that we didn't have to go there. That was the real hurdle, to get it so that it was truly self-installing, which we did. And then we found out that the next hurdle was that you've still got to market it. But the dollar a day was what really did it.

Johnson: Did you start advertising?

Newcomer: We didn't really have any money. No, we never advertised, we didn't have any money for that. We used postcard decks that were sent out by direct mail services.

Johnson: Did you use the ICP Directories at all?

Newcomer: We started receiving awards from ICP when it started to work and those were really fun. I think that at some point we did put a few ads in ICP, but of course you never knew whether you got something out of it or not. Mostly it was direct mail.

Johnson: Mostly direct mail, that's interesting.

Newcomer: Anything that was cheap.

Developing Unique Packaging for DYL-250

Newcomer: The packaging was another unique thing we did. In fact I have a patent on that.

Johnson: On the packaging?

Newcomer: My only patent. I invented a flexible tape reel. Did you ever hear of that or see that?

Johnson: No.

Newcomer: One of the problems in those days was, of course, that the tape reels were big. IBM came out with that little tape reel for software distribution but I don't think they sold it. I don't know if you could get hold of those in those days, or at least we didn't know to do that. So we had a real problem of how to send this thing easily by mail.   All we needed was a few hundred feet of tape. So I started examining the tape drives and I invented a flexible tape reel which you could fold up and put inside of a sprinkler tube. The sprinkler tube was 6" x ¾" standard sprinkler pipe, PVC pipe.

Johnson: I never knew that.

Newcomer: It was simply a little acetate piece that was formed into a circle with little fold-up flaps that went on it. And we would put that on a little hub and wind the necessary amount of tape, which wasn't all that much, on there. It was made to a precise size so it would fit.

In those days the IBM tape drives had an expanding hub, so you'd stick this thing on there and then you'd just expand the hub and it would grip this little tiny reel. Which really looked stupid when you had all these other big reels. And you would copy it off to another tape so you'd have a normal tape to deal with. Or you could install it right from there. But we suggested that people write it to a scratch tape so that they had a copy of it on a regular tape because the little reel was for one-time use, essentially. And I did get a patent on that.

That was the way we installed. We had a little manual and we had this tape which was about the same size. We'd put them in a baggie and put it in an envelope and ship them that way. Eventually, we had to abandon that way of shipping the product. They came up with new tape drives that started tearing them up.

Johnson: What year was it that you were shipping the product that way? Because, this is really like a precursor to shrink-wrap.

Newcomer: You know, I don't know exactly. Oh, wait a minute. Okay, I applied for a patent on the flexible tape reel in 1971. June 30, 1971.

Johnson: Everybody else was putting somebody on site for several days and you were doing shrink-wrap in 1971.

Newcomer: Well, it really wasn't shrink-wrap, but it was a plastic bag.

Johnson: Yes, but still it was the concept of sending it out in the mail and it was self-installing.

Newcomer: While I'm thinking of dates, a month later, on July 14 of 1971, we got our first check for mail order software. And we had a deficit of $41,000 in that year. But then by March 31 of 1972, we had 475 DYL-250 installations out there.

Johnson: That's great!

Release of DYL-260

Newcomer: And that was actually an all time high. We never got more than 475 in place because we introduced DYL-260.

Johnson: DYL-260 was the big one, right?

Newcomer: Yes, DYL-260 really made the company because that did reporting, whereas DYL-250 wasn't very good on reporting. It was just good on selecting, reformatting, and totaling and stuff like that. You could report with it, but you had to go through a lot of work.

Johnson: Did you market DYL-260 the same way, using mail order?

Newcomer: Oh yes, it was all mail order. I think by then we had gotten away from the flexible tape reel already. That only worked for a few years.

Johnson: But you were still selling by mail order?

Newcomer: Yes.

Johnson: What about maintenance and support when people had problems with it?

Newcomer: They would just call us. We did really good testing and it was very solid. They were renting it on a month-to-month basis, so if it didn't work, they weren't going to pay for it and they were just going to send it back. So we went through all kinds of testing.

Johnson: So you made sure that it did work?

Newcomer: Yes, and we put out a new release every year. But if it didn't work, they would call us and we would give them a fix as soon as we could, which was usually very fast. But, you know, when you get some hundreds or thousands of them out there and you do have a problem, it's very expensive to send out the fixes. Even sending out new releases was really a big deal.

Johnson: Big deal, yes. With the payroll system my company was selling, we had to do a release every time the tax calculations changed. That actually became a nice little piece of the business because the customers were willing to pay to get those updates. But we had to have a whole set of people that were just focused on the tax changes. Not only getting them tested and working, but getting them out to everybody. It's a very different thing from selling the software in the first place.

Shifting the Business Model to Software Products

Johnson: Okay, so now you're at the point where you're really starting to think about having to grow the company. Where did you go from there? Did you come up with new products?

Newcomer: Well, DYL-260 was really just the successor to DYL-250. More money. It cost $2.60 a day instead of $1.00 a day. And it could do a lot more stuff. So we worked DYL-260 until 1977.

Johnson: During this time, did you still have the consulting business?

Newcomer: No, that stopped in 1976 when I bought out Jim Case. I purchased all the preferred stock of the company and Jim Case's stock and we went to a four-day workweek. And we had both DYL-250 and DYL-260 on Larry Welke's ICP honor roll. Diane Macrobie came on board in November of 1977, and started on DYL-280. And DYL-280 was an updated DYL-260, but instead of fixed parameters, it was free form, because the world was going free form. By then we had terminals so 260 was on its way out. Everybody wanted free form and, I think probably within two or three years, everybody got 280 instead of 260.

Johnson: Let me go back. You got your first check for mail order software in 1971 and you bought Jim out in 1975 so there was a period when you were still doing consulting work as well as mail order software. Did you have a staff of people doing the consulting work?

Newcomer: Well, by that time, I was running software and he was running consulting. And we had pretty well dispensed with the service bureau work. And the consulting was draining resources from the software. I wanted to put money in the software business and he wanted to put money in the consulting business and so we disagreed on that. So I bought him out.

Competitors to Dylakor's Products

Johnson: OK. Once you got DYL-280 started in 1977, who were your competitors?

Newcomer: Initially with DYL-250, we were competing against IBM giving away Ditto. And we had to convince people that DYL-250 was so much better that it was worth a dollar a day. At $3000 up front it was hard to do, but at a dollar a day, it wasn't hard to do because we could just say, "Try it." And we had a 30-day free trial. If they didn't keep it, we'd give them their money back.

Johnson: Did anybody want the money back?

Newcomer: Not really because we didn't bill them until at the end of the 30-day free trial. If they sent it back, we just didn't bill them. But we had cancellations from time to time. And eventually we got competition from Quickjob and Pansophic's Panvalet.

Quickjob came after Panvalet. They were both free form. That was when terminals were just starting to come in so we had to come out with DYL-280 pretty quickly. Panvalet was very successful.

Johnson: It's now a Computer Associates product but it's still being used.

Newcomer: Is it?

Johnson: Yes, I spent ten weeks in Seattle earlier this year teaching a class in COBOL and the students were maintaining their programs in Panvalet.

Newcomer: Informatics Mark IV was a direct competitor to DYL-260.

Pricing Strategy as a Competitive Advantage

Johnson: You had such a different pricing strategy from the others. Was that a competitive advantage?

Newcomer: Yes, I think that it was our major competitive advantage. Mark IV was a more comprehensive product than DYL-260, but there was lot a overlap there. And 260 could generally do what people wanted it to do. And I think that it was probably easier to use than Mark IV.   I don't know, I never used Mark IV.

Johnson: Well, what I know about Mark IV is that it became almost like a fourth generation language. You had to learn how to program Mark IV which was both its strength and its weakness. Because a lot of times when you want to do something simple, you don't want to have to deal with learning the Mark IV commands. As I understand it, in most shops it was a tool used primarily by the programmers rather than something the users themselves could deal with.

Newcomer: Our thrust was that anyone could do this and you didn't have to be a programmer. If you were just somewhat savvy and knew what a record was and what a file was, you could do some pretty nice stuff.

Johnson: So did you stay with the renting strategy all the way through to the end?

Newcomer: Yes, predominately, though we did offer purchases eventually. But what I did offer was yearly contracts, one, two or three years at a reduced rate about the time I needed to buy Jim out because I needed money to do that. I didn't have any money, yet I had to buy him out and I also needed to buy out the preferred shareholders.

Johnson: Who were the preferred shareholders?

Newcomer: They were some private investors that had come in and they got a different class of stock. They had suffered through us almost going bankrupt and I really wanted to offer them a chance to get out. So I offered the yearly contracts so I could get the money up front to buy the others out.

But essentially we kept renting. I think Sterling converted them to purchases after the first two or three years.

Johnson: When did you sell the company to Sterling Software?

Newcomer: We sold in 1983.

Competition from IBM

Johnson: Talk a little bit about competing with IBM at the beginning because that was a big issue for everyone in the software industry. IBM really created the market for software products by their success with the 360 which created a big enough market on a standard platform that you could reasonably sell a lot of software products.

Newcomer: That's right.

Johnson: At the same time they made very difficult for software vendors by their pricing policies and their ability to keep independent software out of their accounts.

Newcomer: Like everybody, we were always afraid of IBM. We knew if IBM came in, we were out. And we were very happy that they never chose to try to compete with DYL-260. They never really offered anything competitive. With DYL-250, we competed with them on that, we knew they had Ditto. We just tried to write something that was more useful and easier to use. And so with the DYL-260 system, we always lived in fear that IBM would come into the market. There were few things that they came out with but there was never a direct competitive product that I know of. Maybe it wasn't a big enough market for them. We were very grateful for that. Kind of like trying to do business around Microsoft now, I guess.

We did add some more programs. We came out with an auditing system, DYL-Audit. The first DYL-Audit installation was at the Department of Water and Power in 1978.

Johnson: Were these also sold by mail order?

Newcomer: Yes, everything we did was mail order. We did get a users group eventually and we start offering classes. And we actually had one or two instructors at one point that would tour the country. We'd set up the classes and they would come in and teach DYL-280.

Financial Crisis in the Early 1970s

Johnson: I want to talk more about the preferred shareholders. As you well know, sources of funding for software companies in the early 1970s were virtually non-existent. A lot of professional services companies went public in the 1960s and the investors got really burned when the market crashed at the end of that decade. So venture capitalists wouldn't touch software products companies with a ten-foot pole in the late 1960s and early 1970s. The first software product company to go public was Cullinane in 1978 but for almost the whole decade of the 1970s, software products companies were perceived as having no inherent value so they couldn't get venture funding and people were doing all kinds of creative and even crazy things to finance their start-up companies.

Newcomer: We tried to get a SBA loan at one time, but we couldn't even get that.

Johnson: So who were these preferred shareholders and how did that come about?

Newcomer: Well, we started out with that $20 I mentioned. We didn't have any employees except me and I didn't get any salary. So we didn't have any expenses except for the stationary and stuff like that. We just added as we could but then we did go into the hole. As I mentioned we were in debt $41,000 at one point. That was a lot of money. In fact, I remember that we had one board of directors meeting where the board all agreed we were out of business.

The board concluded that the best we could do was declare bankruptcy and get out of this $41,000 debt. That was pretty discouraging. So Jim and I met and decided that we weren't going to do that, we were going to keep going.

The only thing we could think of to do was that we went off salary, which wasn't much anyway. And that didn't work either after six months or so. So we then decided we were going to have to tell the rest of employees – we might have had six or eight employees by then – that they couldn't have a salary either until we got some more money. We would understand if they had to leave because we knew that they had obligations. We said that we thought we could get going again in about three of four months, but there were no guarantees.

Johnson: Was this in 1971?

Newcomer: I think it must have been around then. Most of the employees stayed and we offered them some common stock as an incentive. And eventually the money did start coming in, enough that we could start to pay them and give them the stock. And, in fact, we made up their back pay eventually as well. But we did get some private investors to come in. I don't remember how much funding we got from private investors, but we had three or four who came in through the attorney.

Johnson: Through the attorney?

Newcomer: Yes, the attorney rounded up some wealthy people.

Johnson: I assume that these were not necessarily IT or software savvy investors. They were like the investors that Larry Welke had at one point, doctors and dentists.

Newcomer: Yes, that's exactly what it was.

Johnson: He does not have good things to say about having doctors and dentists invest in the company.

Newcomer: Well, that was tough because they had no savvy about this business. And they had to hold on for quite few years. But after I bought Jim Case out, I began buying back that stock. I would make an offer every so often, and get more and more.

Johnson: Were you a 100% shareholder at the time of the sale to Sterling, then?

Newcomer: No, some of the employees had stock. I had bought out all the private investors by then, I think. But I had most of the stock.

Johnson: Were any of the employees that went without pay during that time still around at the time of the sale to Sterling?

Newcomer: Yeah. Judy Meizner.

Johnson: So she got the benefit of staying around.

Newcomer: Eventually, too, we had put in really nice pension plan. So those that did stay did pretty good on the pension plan.

But in those days, you really didn't want to go bankrupt. It meant you were a failure.

Johnson: Yes, it was failure. Whereas now, it's just another strategy. Talk a little about what you feel were some of the biggest problems that you were facing.

Sale of Dylakor to Sterling Software

Newcomer: Well, money certainly was one until we really got the software going. And then it was wonderful because, since we were on rentals I had no problem with next year's budget. I knew on the bottom side exactly what was coming in and so I would just budget for that, anything else on top was gravy. So that cured the money thing. I'd say, once we really got the software going, we didn't have any more problems. We really didn't. It was a cash cow until it was time to sell and I met with Sam Wyly.

Johnson: Who initiated that? Did you decide you were ready to sell out?

Newcomer: No, they came after me which was very nice. I talked to Sam – I think it was maybe at an ADAPSO meeting or a World Computing Conference. We had arranged that we would meet there. He talked to me about selling the company and I told him I really wasn't interested in selling. He said, "Well I think we ought to talk about it anyway and why don't you give me a price where you would be interested?"

Johnson: Oh, what an opening.

Newcomer: Yes, and, of course, you're back to pricing issues again. How do you price your little cash cow? I did give him a price and, of course, it was a little high. Then Sterling [Williams] got into the act as he was president of Sterling Software at that point. We talked a lot. I kind of think Burt Grad came out and did due diligence on us.

Johnson: He is still doing due diligence for Sterling.

Newcomer: We went through audits and that kind of stuff because they got serious about it. And then nothing happened. I guess we were still a ways apart on money. I talked to Sterling

and said, "No, I really don't want to sell unless I get this amount." And so I didn't hear from them for about six months. That was all right, I didn't care.

But I'll never forget when Sterling called and said, "Bill I haven't heard from you." And I said, "Well, you guys were too low and I told you that." And he said, "Well, we could talk. Why didn't you call back?" I said, "Well, you know, I figured the deal was off."

So we started talking again. And then eventually, of course, we came up with the deal and they put together the companies they had bought to go and make a public offer.

Johnson: That's a great story. You stayed with the direct mail for marketing through all those years?

Newcomer: We never changed that. Those packs of postcards were big for us.

Johnson: Who was doing that? Was that *Computerworld*? I know they still send out those packs of postcards.

Newcomer: Yes, *Computerworld* and *Datamation,* I think did it. We put ads in Welke's publications later on. I could never see where the ads did that much for us. Mostly it was word of mouth. And the association meetings and stuff like that. And, of course, the ICP awards got some publicity; those were good. We were really happy at getting on that a bunch of times. The nice thing was when we got a customer, we pretty well had them for life. We had a very, very low cancellation rate. We did start to get a few cancellations like when Quickjob came on.

Johnson: Who did Quickjob?

Newcomer: You know, I don't remember the name of the company.

Johnson: Were they undercutting you in price?

Newcomer: No, they had the free format and we didn't have that yet. We still used fixed parameters. And it was a cheap price too. It was cheaper than Panvalet.

Johnson: Panvalet was never a low price option.

Newcomer: No, and they hit us very direct. In fact they used our newsletter to market against us. In those days we weren't very smart and we published a lot of our prestigious customers right in the newsletter. So that was a great thing for them and they targeted out customers and got a few.

Johnson: It was fairly easy for your customers to pull out, wasn't it?

Newcomer: Oh yes, all they had to do was say we don't want it next month. And so when we got a few cancellations, that really woke us up because we hadn't had cancellations, unless the company went out of business or something. So that was a rude awakening.

Johnson: I don't know if anybody's using the rental model any more.

Newcomer: Well with the PCs, it doesn't make any sense. And the volume is so high. You know, we talked about having 1,000 users and being in utopia. Now, a million is a good start.

Johnson: Yes. There have been interesting changes. Thank you so much for your time. You really have a unique and interesting story to tell.

Newcomer: Thank you. It's been a lot of fun.