

ROCHESTER BUSINESS JOURNAL

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Investors pump \$4 million into Koretz startup

By TROY L. SMITH - 1/27/2012

Mykonos Software Inc. has raised \$4 million in Series A financing. The infusion of cash comes from a group that includes Thomas Golisano and local investment firm executive Michael Jones.

The company is a startup of entrepreneur David Koretz, also founder of Rochester-based email service provider BlueTie Inc. Mykonos uses an innovative style of deception to detect and deter computer hackers.

The company is based in San Francisco, where Koretz moved its headquarters from Rochester last May. However, the majority of Mykonos' 19 employees still work in Rochester at an office on Commercial Street. Koretz said the space will continue to serve as the company's hub for research and development.

Koretz said the \$4 million in capital will go toward expanding that R&D hub here, increasing the company's employment, and accelerating sales and marketing the Mykonos application.

The round of financing was led by company board member and existing investor Golisano. He is joined by new investors Scott Banister, founder of California-based Ironport Systems Inc.; Jeff Clarke, executive chairman of Atlanta-based Travelport Inc. and chairman of Orbitz Worldwide; and Jones, senior vice president and senior portfolio manager of Federated Clover Investment Advisors and co-founder of Clover Capital Management Inc. Clarke has local ties as well. He graduated from SUNY College at Geneseo.

Jones and Clarke have joined Mykonos' board, which includes Koretz, Golisano and Walter Turek, former senior vice president of sales and marketing at Paychex Inc.

"After 20 years of leading technology companies that sell to large enterprises, I believe Mykonos' ability to use deception in cybersecurity could forever change the economics of hacking," said Clarke in a statement.

Mykonos also has a partnership with Rochester Institute of Technology, where Koretz serves on the board of trustees and the advisory board for the B. Thomas Golisano College of Computing and Information Sciences. Mykonos donated its software to RIT so students could learn how to use it.

"We see a huge amount of value in the Rochester workforce as well as a partnership with RIT," said Koretz. "We also believe RIT is the best place to hire really good talent in Rochester."

Koretz started Mykonos in 2009 as one of two spinoff companies of BlueTie. Both Mykonos and the other spinoff, Adventive LLC, were launched using application design processes BlueTie had developed in its email hosting business.

Mykonos' technology enables Web designers to integrate security measures at code level, making security breaches more difficult for hackers. Koretz said while most cybersecurity programs seek to shut hackers out of computers and websites once they have tried to enter, Mykonos invites hackers into fake portals; the software then records and tracks the hackers' movements while using tricks and deception to frustrate them.

"The key problem in cybersecurity you've had for the last 20 years is that it's been all about passive defense," he said. "IT security teams and security administrators are left sitting on their hands, waiting for the next attack. That's a pretty debilitating thing."

Mykonos already has received high praise. The company received a 2011 Technology Innovation Award for Information Security from the Wall Street Journal and was a finalist for Rookie Security Company of the Year as judged by national IT security publication SC Magazine.

As Mykonos has picked up steam, Blue-Tie has scaled back its workforce. Blue-Tie's staff shrank from 100 employees in 2010 to 15 in 2011. Some of Mykonos' employees came from BlueTie.

Koretz said he still serves on the board at BlueTie. The board appointed Jeff Lambert, chief technology officer, to the positions of president and CEO last year.

Lambert was unavailable to comment on BlueTie's future direction. However, Koretz said the company is still going strong while he focuses on cybersecurity through Mykonos.

"I don't think most people understand how bad the world of cybersecurity is and how much of an opportunity there is to modify that space," Koretz said. "I expect a substantial amount of growth in 2012 and 2013. Our product is so different from anything else on the market."

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