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## **Mykonos Goes With Insider For \$4M Series A**

By Deborah Gage

Nearly a year after saying it was in talks with 16 venture capital firms and several strategic investors, web security vendor Mykonos Software Inc. went with individuals for its Series A funding, raising \$4 million in a round led by an insider.

Paychex Inc. Chairman Tom Golisano led the financing, with participation from new investors including Ironport Systems Inc. founder Scott Banister, Travelport LP Executive Chairman and Orbitz LLC Chairman Jeff Clarke, and Mike Jones, senior vice president of Federated Clover Investment Advisors. Clarke and Jones have joined Mykonos' board.

Mykonos won a Technology Innovation Award from The Wall Street Journal last year for an appliance that lures would-be cyber intruders into a "honey pot"--an area that gives them false information on Web vulnerabilities--then tracks and tags them so they can be blocked if they try to return. (The Wall Street Journal and VentureWire are both owned by News Corp.)

The company spun out of BlueTie Inc.--a business software company founded by Mykonos Chief Executive David Koretz--in December 2009. Golisano also chairs BlueTie's board.

Blue Cross was an early adopter of Mykonos' technology, Koretz said in an interview last year, along with Minnesota-based Brown Printing Company. Brown's former senior technical analyst for IT, Keir Brown, has since taken a job with Mykonos.

Despite telling VentureWire last year he was in talks with multiple VCs, Koretz said that in the end he had trouble finding venture capitalists who had deep knowledge of security and no conflicts of interest, and he wasn't comfortable bringing strategic investors into a Series A.

"Our lead investor gave us an offer on extremely favorable terms and was able to carve out enough to bring on board members, and it was a much more compelling offer with a lot less restrictions," he said.

Mykonos has moved its headquarters to San Francisco and plans to hire engineers and expand sales and marketing. Koretz said the company is on track to be cashflow-positive by the fourth quarter and may not raise another funding round.

The company has now raised \$7 million, including a \$3 million round from Golisano and other individuals in 2010. Valuation is not disclosed.

<http://www.mykonossoftware.com>