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Mzinga raises \$32.5M, gung ho on enterprise social networking

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Mzinga Inc., which makes technology that lets enterprises provide online social networking services, said Monday that it raised \$32.5 million in an inside round of venture capital led by W Capital.

Mzinga founder and chairman Barry Libert said the new round will finance the acquisition of Littleton, Mass.-based Prospero Technologies Inc., a social media provider with a strong customer list in the media, entertainment and publishing sectors, to round out the newly positioned company's leadership in online networking for corporate users and finance additional technology development, sales and marketing. "We have done a good job of transitioning the company from a self-funded startup to a growth company," he said. "Now we'll be seeing a move to building a scaled, institutionally funded company with more sales and marketing and much more development."

Bob Migliorino, a general partner with New York's W Capital, said the firm had been interested in increasing its stake in Mzinga when the opportunity to lead the round arose. He said the board considered bringing in new investors, but that there was enough interest among insiders to close the round and that the timeline for closing the acquisition of Prospero made it difficult to complete due diligence with new investors.

Also participating in round were other institutional backers of KnowledgePlanet, a nine-year-old Mechanicsburg, Pa., educational software company that merged last year with Burlington, Mass.-based Shared Insights to form Mzinga. Management backers of self-funded Shared Insights also contributed to the new investment round, and the deal comes with debt funding from BlueCrest Capital Finance LP of Chicago.

Libert formed Shared Insights to create an online platform for companies to link employees, partners and customers in a social media network akin to personal social media sites such as News Corp.'s MySpace and Palo Alto, Calif.-based Facebook Inc. But unlike these sites, which have expanded largely through word of mouth, he recognized that participation by large corporate users could help ignite growth, and he saw a merger with KnowledgePlanet as providing that, as well as a proven portfolio of educational systems assets that would broaden the company's offerings.

KnowledgePlanet was founded during the dot-com bubble, when hopes for online education were on the rise, netting \$67 million in two rounds of investment in 1999 and 2000. But despite building a blue-chip customer list

of companies including Chevron Corp., Johnson & Johnson, Prudential Financial Inc., the United Nations Development Programme and Depository Trust & Clearing Corp., it never saw a large market materialize.

"We developed great learning management systems and a great customer list, but the market opportunity never grew to what everyone expected," said Michael Taylor, a managing director with Boston-based HarbourVest Partners, which backed KnowledgePlanet's \$20 million Series A round in 1999. "Social networking is all about informal learning, and our systems are more formal. But there is a lot of crossover, so when we were approached by Barry we recognized the combination as a good fit."

Libert is a longtime consultant and author specializing in collaborative business processes, and Taylor called him a strategic visionary in identifying the opportunity in combining KnowledgePlanet's products with social networking distribution. The venture investor also said Mzinga's newly named president and CEO, Rick Falk, a former head of marketing at WebEx before its 2007 sale to Cisco Systems Corp., brings additional heft to the combined company.

Libert said he has talked to potential investors continuously since founding Shared Insights in 2001, and decided to expand on the institutional backing KnowledgePoint brought to the company with the merger. The executive worked with Patrick Tipton of the New York investment banking firm North Haven Partners on bringing on new investors, but in the end chose to stick with insiders.

In addition to drawing money from W Capital, which first bought into KnowledgePlanet in 2006 with the purchase of a secondary position from a prior investor, the investment in Mzinga attracted longtime backers GE Capital of Stamford Conn., and Knowledge Industries of Santa Monica, Calif. HarbourVest and Arcadia Partners of Boston remain investors, but have not yet invested in the current round, while most of the previous investment syndicate is no longer involved with the company.

Libert said the company will likely raise additional money with new investors later this year. - Clifford Carlsen