

CLIVE, IOWA

I-Bank Taps Debut Fund For KemPharm Deal

BY JONATHAN MATSEY

DeWaay Investment Banking, a small firm based in Iowa, said it is in the process of closing its \$10 million debut venture capital fund, which it just tapped for a \$3 million investment in prodrug developer KemPharm Inc.

KemPharm is the third investment for DeWaay Investment Partners I LLLP, said Adam Claypool, managing director at the investment bank and manager of the new fund. He declined to say how much the fund has received to date in commitments but said he expects to close the entire \$10 million in 30 days. The firm began raising the fund in July, he said, and expects to take all of its money from individual investors.

Based in Clive, Iowa, DeWaay Investment Banking provides an array of investment and advisory services. Claypool said that although the firm does not limit itself exclusively to deals in the Hawkeye State, the fund intends to spur the venture industry in Iowa. "That was one of the reasons we created the fund," he said, "although our investment mandate is not exclusively Iowa."

The DeWaay fund invested in two companies in the second half of 2008: GCommerce Inc. and TrueChoice Solutions Inc., both software-as-a-service companies. TrueChoice is based in New York, as was GCommerce, until it recently moved to Des Moines, Iowa.

GCommerce is also backed by Acuity Ventures. Details of the funding rounds for the two companies were not disclosed.

KemPharm leveraged two different DeWaay business units for its Series A round, Claypool said. The new venture fund led the \$3 million round, providing \$650,000, while high net worth individuals coordinated by DeWaay Capital Management provided the remaining \$2.35 million.

KemPharm, of Iowa City, Iowa, was founded in 2006 by husband-and-wife team Travis and Christal Mickle, both veterans of New River Pharmaceuticals Inc. The company is developing a prodrug for treating attention deficit hyperactivity disorder. "By the end of '09, they expect to be done with Phase I," said Claypool of the company's status.

The Series A, which closed in the first week of January, will not be enough to get the company, which is still in preclinical development, through the year. "The company has enough cash to get halfway through 2009," Claypool said. "A subsequent round of financing is anticipated." He declined to say how much KemPharm would look for in its Series B.

Previously, KemPharm was backed by an undisclosed amount of friends-and-family cash.

Claypool said the DeWaay fund will invest across a variety of sectors, including software and the life sciences, and will concentrate on early-stage - but not seed-stage - deals. While the firm generally won't invest in regular drug development start-ups, he said prodrug companies like KemPharm, which produce drug precursors which do not become pharmaceutically active until ingested, are more appealing investments. "It shortens the drug discovery time, it shortens the FDA process, and as an investor, it lowers our risk," he said of prodrugs.