

KLD Energy raises another \$1M

Maker of scooter motors almost ready to build plant

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Electric scooter motor maker KLD Energy Technologies Inc. has raised the first half of a \$2 million Series A-1 round of financing that company officials plan to use to hire more development workers before building an assembly plant in Vietnam.

The funding, from a syndicate of 16 angel investors, closed last month. Its timing and the formation of Austin-based KLD Energy comes as oil prices remain volatile and governments subsidize such green technologies in efforts to lower carbon emissions.

Such factors are creating anticipated market demand for electric scooters, especially in Asia. So ramping up production as quickly as possible is the nascent company's foremost challenge, KLD CEO Christian Okonsky said.

"Right now, the demand will outpace our ability to produce," he said. "Our biggest problem is not being able to meet demand quickly enough, based on what I've seen

KLD CEO Christian Okonsky plans for his company's electric scooters to hit the lucrative Asian market next year.



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so far."

KLD Motors America Inc., founded in 2007, is developing an electric motor for scooters in Vietnam and plans to open an assembly plant in Hanoi next year to supply Vietnam Sufat Co. Ltd.

Unlike typical scooters, KLD's systems operate without a transmission, using a nanocrystalline composite material designed to enable the motor to operate on the hub of the

wheel at high speed without generating the heat of conventional motors, Okonsky said.

The 11-person company is now negotiating with six Asian manufacturers to help produce the motors and the scooters, he said.

Despite the recession, Okonsky said he's had no problems raising the capital to fund the new venture.

SEE KLD, P26

Vacancies drive down industrial lease rates

Warehouse rates fall 30%; 22% of space now vacant

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It comes as little surprise to Austin real estate experts that industrial vacancy has risen during the first six months of the year. But with it, there's been a surge in activity as some tenants venture out to take advantage of market conditions.

According to research from NAI Austin, lease rates have dropped about 30 percent for warehouse and 10 percent to 15 percent for flex, while incentives range from free rent to increased tenant finish allowance and bonuses for brokers.

NAI reports that the Austin area's industrial real estate vacancy reached 22 percent, up from 18 percent at the end of 2008. That climb in vacancy came partly from the addition of about 700,000 square feet of newly constructed space and more than 550,000 square feet of Dell Inc.-related space that came back onto the market.



Heare

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SEE SPACE, P26

Chamber for young professionals founded

Group seeks those between the ages of 21 and 39

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The newly formed Austin Young Chamber of Commerce hopes to build on its initial buzz to bring together people 21 to 39 who want to improve themselves, their careers and their community.

In a few weeks, Young Chamber's Facebook page has accumulated 575 fans. And in its first week of taking members, 40 people have joined the startup organization.

That interest is indicative of Austin's youthful and educated demographic. Nearly half of the region's residents, 45 percent, are 18 to 44, according to the Greater Austin Chamber of Commerce. The median age in the Austin area is 32.2 — about four years younger than the national median.

Many of those young professionals are interested not only in personal advancement, but also in community involvement.

It was with that in mind that founders Jonny Rodgers, Erick Smart and Nathan Green started the nonprofit, which is positioning itself as a cross-industry networking group with an emphasis on giving back.

"We noticed that there was a real need for a business-to-business networking group, and there is no reason why a city like Austin can't have fun while doing it," Young Chamber President Jonny Rodgers

AUSTIN YOUNG CHAMBER

MEMBERSHIP LEVELS: General, \$100; charter, \$300; student, \$50

TARGET MEMBER: 21 to 39 years old

BOARD MEMBERS: Jonny Rodgers, Erick Smart, Nathan Green, Ben De Leon, Katie Fore, Kareem Hajjar, Tim Hamilton, Ed Kargbo, Yvette Ruiz and Lemuel Williams

STAFF: Melanie Plummer, executive director; Shelley Allen, operations manager

WEB SITE: www.austinyjc.org

said.

Since conceiving the idea five months ago, the Young Chamber has formed a 10-member board, with young professionals representing industries including technology, real estate, health care and law. And it's hired a full-time executive director, Melanie Plummer.

Plummer said the organization's four areas of focus are professional development, social networking, educational workshops and seminars, and community advocacy.

The founders expect that the community involvement piece will be important to its members, many of whom will likely be time-constrained young professionals looking for ways to contribute through Young Chamber events.

Co-founder Erick Smart said the Young Chamber is crafting programs and offerings to have broad appeal among its target audience regardless of the industries people are in.

"We wanted to have something ... that



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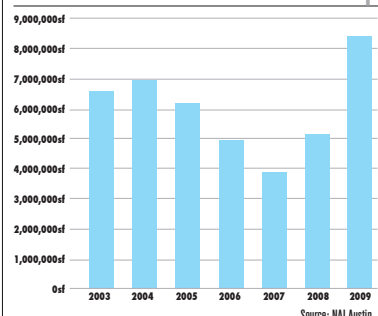
From left: Erick Smart, Nathan Green, Melanie Plummer and Jonny Rodgers.

would help develop young professionals in all different facets, whether you are a student coming out of school or are moving into town," Smart said.

The chamber's activities will include a speakers series focused on city issues,

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LAKESIDE: On the verge of foreclosure, Bastrop community hospital finds savior

FROM PAGE 1

We've had two major secured creditors we had to deal with," Schiff said. "But in the end, we were able to keep the hospital here. We didn't miss a beat. We've done what we needed to do to keep this place in continuous operation."

Blackhawk was tapped by the previous ownership to turn the hospital around a year ago with the intention to buy the property, but the deal was complicated by financial issues — such as restructuring about \$15 million in debt. That debt relates to real estate, partner loans and equipment purchases.

The two parties reached an agreement a few weeks after the hospital's lender, Stillwater National Bank, filed for foreclosure. The hospital was set to be auctioned on July 7 at the Bastrop County Courthouse.

The transaction is a good thing for the community, Schiff said.

"Here we were facing financial doom, and now the hospital has a viable operator," he added.

Jeff Madison, Blackhawk's executive vice president for operations and business development, said that while Blackhawk did have financial concerns, the health care company identified long-term potential in the acquisition.

"We were attracted to the demographics of the community. It is [one] of the fastest-growing communities in the state," Madison said. "That was what provided the initial opportunity. What gave us the staying power was the core values and quality of people working with us."

Founded four years ago, Blackhawk is a faith-based, privately held company that is establishing a track record for turning around troubled rural and suburban hospitals. It owns and operates Mangum Community Hospital in Oklahoma and Richards Memorial Hospital in Rockdale, Texas. Blackhawk bought Richards Memorial just after it emerged from bankruptcy.

Richard Schirmer, a health care policy analyst with the Texas Hospital Association, said he isn't aware of more hospital transactions in the downturn, but that there are "definitely more hospitals on the edge looking for additional capital."

Schirmer speculates that Blackhawk will probably look at getting more patients on Medicaid, and adding services that will help it compete with larger health care pro-



Madison

'One thing we hope to do is increase the availability of [specialty] physicians so we can increase our volume of overnight stays.'

Jeff Madison

Executive vice president
Blackhawk Healthcare

viders such as Seton Family of Hospitals and St. David's HealthCare in Austin.

"One thing we hope to do is increase the availability of [specialty] physicians so we can increase our volume of overnight stays," Madison said.

Blackhawk is planning to double the number of physicians at the hospital in the next 24 months. Lakeside has about 90 physicians on its roster now. The company plans to add internal medicine, cardiology, general surgery, orthopedics and neurology specialists — all on a full-time basis.

Schiff says that Blackhawk's management has already had a positive effect on the hospital. In about a year, Blackhawk has been able to stabilize the hospital's operations, starting with substantially improving its billing and collection. The hospital's cash flow is up 20 percent, primarily on existing business.

Under Blackhawk's management, the number of emergency room visits have increased about 10 percent. In May, the hospital saw 1,000 ER visits.

Madison said Blackhawk plans to renovate its ER space and increase capacity to five beds from one bed. By increasing beds and reducing wait times, the health care company hopes to allow for moderate growth in ER visits.

For now, Blackhawk and many of Lakeside's founders are relieved that the deal is done and that the hospital remains open.

"We have a sincere appreciation for the founders that had the wherewithal to bring health care, acute and ER care, to a place where it was not readily available," Madison said.

In some cases, the founders lost money in the development of the hospital, he added.

YOUNG: New chamber unveiled

FROM PAGE 3

workshops and a mentorship program, which will connect local college students with people in the business community.

Also, the organization is planning many social events, such as its first membership mixer at 6 p.m. July 15 at Imperia, and a poker night Aug. 13.

The Young Chamber will compete for attention against a number of young professional organizations in Austin, but many of those are industry specific.

"The scope of [the Young Chamber] is across industry, targeting a demographic that is unique to Austin," co-founder Nathan Green said. "The proportion of 21- to 39-year-olds here is what makes Austin unique."

While the Young Chamber is independently funded and run, it will be affiliated with the Greater Austin Chamber of Commerce, where it has been given an office.

"The Greater Austin Chamber looks forward to working side-by-side with the leadership of the Austin Young Chamber in helping to grow job opportunities for families in Central Texas," said Michael Rollins, president of the Austin Chamber of Commerce.

The startup nonprofit was seeded by the founders, but eventually the organization plans to raise money for operational expenses. It will also charge membership fees starting at \$100 a year for a general membership.

Rodgers believes turning the Young Chamber's initial buzz into long-term engagement will be its biggest challenge.

"I want people to join this and stay involved; see the value and really take ownership of it," Rodgers said.

SPACE: Industrial sites going for cheap

FROM PAGE 26

(Nasdaq: DELL) or with semiconductor companies, and downsized or consolidated in other markets.

"Some went back to California, or may have shut down a particular function," he said.

On the positive absorption side, Austin-based HelioVolt Corp. has been one of the largest consumers of industrial space, Heare said. That company leased 122,444 square feet in Southeast Austin in 2008.

David Blackbird, co-managing partner with Stream Realty Partners LP, said he's seen good activity in the last few months from tenants seeing what kind of deals they can negotiate significantly ahead of their expiring lease term — leading to activity, but not necessarily leading to leases being

KLD: Scooters to be sold overseas, mostly

FROM PAGE 3

In January, KLD closed on a \$1 million Series A financing from a syndicate of angel investors. The company plans to raise an \$8 million to \$10 million Series B round to fund the assembly plant's construction.

Sufat is scheduled to begin producing its new scooters during the first quarter 2010. The plant would employ about 150 workers and produce 100,000 systems per month, Okonsky said.

Next year, the company plans to introduce in the United States two versions of its scooters, one with a top speed of 40 mph and one that can reach highway speeds. The base price will be about \$3,200.

Although it will be available in the United States, KLD's products will be targeting the larger market in Asia. India is the largest market for electric scooters during the next two years, according to industry officials.

This month, IMS Research, which operates an office in Austin, reported that the market for electrical motors in automotive applications is forecasted to grow an average of 7 percent during the next seven years.

Senior research director Adrian Lloyd said KLD is getting into the business at the right time because the market for such motors is expected to grow quickly.

Stricter emission standards and the increased use of hybrid vehicles are driving the growth, according to IMS.

"The rest of the world realizes they can't run on oil because it costs too much money," Okonsky said. "In terms of timing, I don't think we could be in a better position."

executed, he said.

Much like the office market, concessions like free rent, higher tenant improvements and flexible lease terms are becoming more common among industrial properties, he said, and as time goes on, these concessions and terms will become more affected by the type of financing in which each particular building is subject.

"I think quality, newer projects will lease faster as tenants look to make a step up in the quality of the building they occupy for a similar occupancy cost that they are used to paying, and projects that aren't as well located or are older or functionally obsolete will suffer longer," Blackbird said.



Blackbird

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