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## Blackhawk swoops in to save Bastrop hospital

\$20M investment stops foreclosure; expansion next

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Blackhawk Healthcare has acquired the Lakeside Hospital in Bastrop, about a week before it was set to go up for public auction as a foreclosed property.

In early July, Blackhawk finalized the purchase of the struggling three-year-old hospital's assets for about \$20 million

from founding owner Lakeside Hospital at Bastrop Ltd., a group consisting of Bastrop investors. A bedroom community about 30 miles southeast of Austin, Bastrop has an estimated population of 7,823.

Under the deal, the company has signed a five-year building lease and has become a minority owner of the real estate. It has the option to buy the property at the end of the lease.

Blackhawk, an Austin-based operator of community hospitals, is planning to invest \$1.5 million in the 15-bed hospital that will go toward equipment, specialty physician

staff and an expansion of its emergency room. The company is also searching for a new CEO to run the hospital.

Gary Schiff, former managing partner and investor in Lakeside, said the hospital was built in 2006 to bring much-needed health care to the growing area. But almost since its inception, the hospital faced administrative challenges that culminated with "a bankruptcy outside of the courts," he said.

"It's been a very difficult transaction.

SEE LAKESIDE, P26

### BLACKHAWK HEALTHCARE

**WHAT IT DOES:** Owns and operates community hospitals

**CORPORATE OFFICE:** 6500 River Place Blvd., Austin  
**LOCATIONS:** Mangum Community Hospital (Mangum, Oklahoma), Richards Memorial Hospital (Rockdale); Lakeside Hospital (Bastrop)

**TOP EXECUTIVES:** Matthew Hainline, CEO; Todd Biederman, president

**EMPLOYEES:** 33 in Austin, 400 companywide

## Real estate veterans form new venture

Edge Realty starts off with 1.5M s.f. portfolio of Simon properties

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Three Austin commercial real estate professionals have left Endeavor Real Estate Group to open a Central Texas office of Edge Realty Partners, a company launched in Dallas this spring by former Endeavor and Staubach Retail veterans.

The new Edge Realty office will serve the Austin and San Antonio areas and has already amassed a significant local portfolio. It will primarily offer broker and tenant representation for retail clients.

Jeff Townsend, formerly a principal with Endeavor, will lead the office, along with senior associates Daren Nix and Chase Northington, also former Endeavor colleagues.

As a supplement to the business, Edge Realty will get involved with development and investment sales in the future, Townsend said.

The Central Texas office is off to a strong start; it will handle leasing for a 1.5 million-square-foot Simon Properties portfolio that includes Wolf Ranch Town Center in Georgetown and The Shops at Arbor Walk and Gateway Shopping Center, both in Austin. The Central Texas office's retail clients also include Dick's Sporting Goods, Vitamin Shoppe and Champs.

Simon has handled most of its own brokerage in the past, but Townsend said that in this economy the company is looking for more local focus.

Brian Murphy, who with Adam Schiller formed Edge Realty, said they decided to open the Central Texas office because of the tremendous growth in population and job growth projections.



NICK SIMONITE | ABJ

From left: Chase Northington, Daren Nix and Jeff Townsend of Edge Realty Partners.

"We think it will be well-positioned to come back" after the recession, Murphy said. "When it does, we'll be there."

Murphy and Schiller were principals at Endeavor and bought the firm's Dallas-area assets. The pair will run their corporate office from Endeavor's Dallas office.

Edge Realty principals and Endeavor executives said the departure of all five former Endeavor colleagues happened on amicable terms.

SEE EDGE, P25

## Dial 'S' for savings

Companies of all types cutting costs by working with growing telecom providers

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When the Horseshoe Bay Resort began upgrading its telephone system in 2005, it initially called phone companies.

But it eventually hired a telecom consulting firm, which recommended a voice-over-Internet-protocol, or VoIP, system that has enabled the 30-year-old resort to eliminate its old analog system.

Last year, the owners of the resort extended the system to a hotel when they took over management of the 349-room Horseshoe Bay Resort Marriott, which is also on the property in the Texas Hill Country. By combining Internet access with its phone system, the 14-building resort reduced operating costs by \$7,000 on one monthly bill and typically 12 percent per month, Chief Information

SEE TELECOM, P25



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Lyle Worthington, Horseshoe Bay Resort's chief information officer, cut his company's phone bill dramatically by going with VoIP.



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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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