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DIVERSITY IN BUSINESS

# Cashing in on CASINOS

Maryland's slots are pumping millions of dollars in loan funds for minority businesses. Meet furniture supplier Tony Hill, above, and some of the other businesses that are profiting from a new source of capital.

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► LIST OF LARGEST MINORITY-OWNED BUSINESSES, 16-18

► IN-DEPTH WITH THREE LIST-MAKERS, 20-21

# SLOTS CASH MAKES ITS WAY TO MINORITIES

‘THIS IS A REALLY BIG DEAL,’ STATE OFFICIAL SAYS OF BURGEONING LOAN PROGRAM

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You’d never know it, but gamblers who dropped their dollars into slot machines and walked away empty-handed financed the new storage building behind Davis’ Pub in Annapolis.

Kiyomi Endo, who owns the pub, rebuilt the storage facility with a \$245,000 loan from Anne Arundel County Economic Development Corp.’s VOLT Fund. That fund represents one portion of the state’s Small, Minority and Women-Owned Business Investment Account, a pool of money funded by slot machine revenue that aims to help businesses like Davis’ Pub.

“If it weren’t for them, it would have been a financial burden to take on a commercial loan,” Endo said. “They made it less daunting.”

Of all the revenue from the state’s slot machines, 1.5 percent goes to the Small, Minority and Women-Owned Business Investment Account. For the recently ended fiscal 2014, slot machines brought in \$578.4 million, and \$8.4 million went to the fund.

Fund managers, like the Anne Arundel County Economic Development Corp., make loans to small, minority and women-owned businesses at or below market interest rates.

“It has a great deal of impact for this here-to-date underserved market,” said Greg Cole, director of the Maryland Department of Business and Economic Development’s office of finance programs. DBED oversees the fund managers.

The minority loan account is larger than any other economic develop-

**▶ BY THE NUMBERS**

**1.5**  
Percentage of slots revenue allocated to small, minority and women-owned businesses

**\$578.4 million**  
Total slots revenue for fiscal 2014

**\$8.4 million**  
Slots revenue dedicated to small, minority and women-owned business for fiscal 2014

ment fund Cole oversees throughout the state.

“This is huge, this is not a yawn,” he said. “A lot of people said this isn’t a big deal. This is a really big deal.”

In fiscal 2015, with the addition of the Horseshoe Casino Baltimore, the fund is expected to top \$11 million. It’s growing so rapidly that DBED more than doubled the number of fund managers – from three to seven – that dole out loans from the account, meaning more organizations will compete to make loans to minority businesses.

“That’s very important because this is the most needy of the needy,” Cole said. “Nobody competes for them.”

Some businesses that have received loans weren’t eligible for traditional financing otherwise. Joy Kids Learning Center in Edgewater is only two years old, and it didn’t have enough established credit to qualify for a traditional loan without co-owners Melissa Fullerton and Kenneth Graham using their homes as collateral. The VOLT fund allowed the learning center to borrow \$58,250 to buy and renovate a second child care facility.

## THE BORROWERS

A breakdown of 45 businesses that received or were approved for funding in 2013 from the Small, Minority, and Women-Owned Investment Account — Video Lottery Terminal

## WHO GOT WHAT

- 37.8%** Minority: 17
- 33.3%** Woman-owned: 15
- 22.2%** Small, non-minority-owned: 10
- 6.7%** Veteran-owned: 3



## WHERE THE MONEY WENT

- 34.8%** Minority: \$1.64 million
- 25.2%** Woman-owned: \$1.2 million
- 27.9%** Small, non-minority-owned: \$1.3 million
- 12.1%** Veteran-owned: \$571,000



\$4.7 million total



BY HARRY BOSK

*Melissa Fullerton, co-owner of Joy Kids Learning Center, recently opened a new location in Edgewater with help from a loan she received from the VOLT fund.*

COURTESY OF MARYLAND LIVE!

*Maryland Live! Casino holds quarterly minority outreach fairs for potential vendors.*

Cole said the program is running smoothly so far, but it's still young. He added Maryland is the only state with an investment fund for small and minority businesses, so it doesn't have examples in other states to follow.

"Presently, I'm not aware of any losses in the program, but it's still early; there will be because this is a high-risk area," Cole said. "So far I would say it looks like it's doing the job."

The Small, Minority and Women-Owned Business Investment Account isn't the only way the state's casinos provide opportunities to minority businesses.

The gaming facilities also work directly

with minority contractors like Tony Hill, whose company Edwards & Hill supplies furniture for Maryland Live! Casino and the Horseshoe Casino Baltimore.

"All things being equal, if you've got a David-and-Goliath situation with a furniture dealership, there obviously are competitors, and quite frankly most of them have much more in terms of resources than I do," said Hill, a managing partner at the company. "Because they try to achieve minority participation goals, it gives people a seat at the table that otherwise might not get it."

Maryland Live! has a high minority participation rate – between 17 percent and 23 percent of the facility's overall

operating expenses go to minority and women-owned businesses, casino President Rob Norton said.

The only difference between working with minority firms and non-minority firms is doing a little more outreach, Norton said. The casino hosts and attends fairs for minority contractors to try to cultivate new relationships with vendors.

"The most important thing is that we are getting quality products from a quality company. As a consumer that's the most important thing to me," Norton said. "The fact that they're local, minority business is, I think, a great value as it puts money back in and strengthens the overall community."

**► CASH FLOW**

*How the money gets from gamblers' pockets to minority businesses*



**CASINOS**

Maryland Live! Casino, the Casino at Ocean Downs, Rocky Gap Casino & Resort and Hollywood Casino Perryville allocate 1.5 percent of the revenue from all their slots — not table games — to small, minority- and women-owned businesses. The Horseshoe Casino Baltimore and MGM National Harbor will do the same when they open.

**MARYLAND BOARD OF PUBLIC WORKS/ DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT**

The revenue goes to the Small, Minority & Women-Owned Business Investment Account, a Board of Public Works fund. The Maryland Department of Business and Economic Development operates the fund under a memorandum of understanding with the board.

**FUND MANAGERS**

Anne Arundel Economic Development Corp., Meridian Management Group Inc. and Maryland Capital Enterprises Inc. managed the funds for DBED last year. The Baltimore County Department of Economic Development, Baltimore Development Corp., Howard County Economic Development Authority and the Tri-County Council will also act as fund managers this year.

**SMALL, MINORITY AND WOMEN-OWNED BUSINESSES**

Businesses apply for low-rate loans from the fund managers. Last year, 45 businesses received loans ranging from \$3,500 to \$265,000. Half of the funds must go to businesses whose ZIP codes are within a 10-mile radius of the state's casinos, and the other half is spread throughout the state.